

			As of January 1, 2017
No.		Commentary	Relevant laws and regulations
1.	Duties and powers of banking supervision		
1.1	Banking supervisory authority	The Bank of Russia	Articles 4 and 56 of Federal Law No. 86-FZ, dated July 10, 2002, “On the Central Bank of the Russian Federation (Bank of Russia)” (hereinafter referred to as the Bank of Russia Law); Article 41 of Federal Law No. 395-1, dated December 2, 1990, “On Banks and Banking Activities” (hereinafter referred to as the Banking Law).
1.2	Purposes of banking supervision	The principal purposes of banking regulation and supervision are to maintain the stability of the Russian banking system and protect the interests of creditors and depositors.	Article 56 of the Bank of Russia Law.

1.3	Banking supervision competences	<p>The Russian banking system comprises the Bank of Russia, credit institutions and representative offices of foreign banks.</p> <p>Credit institutions and banking groups are subject to banking supervision.</p>	<p>Article 56 of the Bank of Russia Law; Article 2 of the Banking Law.</p>
1.4	Independence of banking supervision	<p>The Bank of Russia performs the functions and exercises the powers assigned to it by the Constitution of the Russian Federation and the Bank of Russia Law independently from other federal, regional and local government bodies. One of these legislatively established functions is the supervision of credit institutions and banking groups, including decision-making on the registration and licensing of credit institutions.</p>	<p>Article 75 of the Constitution of the Russian Federation; Articles 1 and 4 of the Bank of Russia Law.</p>
1.5	Legal framework for the powers and duties of banking supervision	<p>The Bank of Russia establishes rules of conducting banking operations and effecting settlements in the Russian Federation, approves sectoral accounting standards for credit institutions, the Bank of Russia and non-bank financial organizations, charts of accounts for credit institutions and the Bank of Russia and the procedure for its use, makes decisions on the state registration of credit institutions, issues, suspends and revokes banking licenses, supervises the activities of credit institutions and registers issues of securities, their prospectuses and placement reports.</p> <p>The Bank of Russia has the power to require a credit institution to rehabilitate or reorganize itself and appoint a provisional administration to a credit institution.</p> <p>The Bank of Russia evaluates, among other things, the financial soundness of banks and decides whether a bank participating in the deposit insurance system meets the requirements of this system. In any case specified in Part 1 of Article 48 of the Deposit Insurance Law, the Bank of Russia prohibits the bank from taking household funds on deposit and opening household accounts, sends an order to make a statement on the termination of the right to handle deposits.</p> <p>The Bank of Russia is entitled to invite the state corporation Deposit Insurance Agency (hereinafter referred to as the Agency) to participate in bankruptcy prevention measures of a bank that has signs of unstable financial standing threatening interests of its creditors (depositors) and/or the stability of the banking system.</p> <p>The Bank of Russia is entitled to invite the Agency to participate in settling the liabilities of a bank that has signs of unstable financial standing threatening interests of its creditors (depositors).</p>	<p>Articles 4, 7, 8, 59, 74 and 76 of the Bank of Russia Law;</p> <p>Articles 20 and 41 of the Banking Law;</p> <p>Articles 44 and 48 of Federal Law No. 177-FZ, dated December 23, 2003, “On the Insurance of Household Deposits with Russian Banks” (hereinafter referred to as the Deposit Insurance Law);</p> <p>Articles 189⁹ and 189⁴⁷ of Federal Law No. 127-FZ,</p>

		<p>From the day the Bank of Russia invites the Agency to participate in a bank's bankruptcy prevention measures and until the day when the bank's bankruptcy prevention measures are terminated, the Bank of Russia is entitled to take the following decisions:</p> <ol style="list-style-type: none"> 1) not to apply measures stipulated by Article 74 of the Bank of Russia Law to the bank; 2) not to impose a ban on taking household funds on deposits and opening household accounts stipulated by Article 48 of Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Household Deposits with Russian Banks'; 3) not to revoke the banking license from the bank in cases stipulated by Part 2 of the Banking Law; 4) to grant the bank a deferral for paying the arrears of the required reserves deposited with the Bank of Russia for a period of the Agency's participation in the bankruptcy prevention of the bank. In this case the bank shall calculate the required reserves deposited with the Bank of Russia on a monthly basis and provide it to the Bank of Russia under a procedure set by the Bank of Russia. <p>The Bank of Russia is entitled to decide on sending representatives of the Bank of Russia and the Agency to analyse the financial standing of the bank for the purpose of decision making on the reasonableness of inviting the Agency to participate in bankruptcy prevention measures or settling the bank's liabilities.</p> <p>The Bank of Russia has been granted the right to appoint its authorized representative to the credit institutions that have received funds for the purpose of shoring up the Russian financial system. The authorized representative of the Bank of Russia may be appointed in case when credit institutions receive loans, including subordinated loans, under the Federal Law No. 173-FZ 'On Additional Measures to Support the Financial System of the Russian Federation' (hereinafter referred to as 173-FZ) from Vnesheconombank and the Bank of Russia and Bank of Russia loans without collateral under the Bank of Russia Law and when the Russian Government deposits federal budget funds with these credit institutions pursuant to the Budget Code of the Russian Federation, and in case when the value of assets of a credit institution amounts to at least 50 billion rubles and/or the funds raised from households under a bank deposit agreement or a bank account agreement amount to at least 10 billion rubles.</p>	<p>dated 26 October 2002, 'On Insolvency (Bankruptcy)';</p> <p>Article 1 of Federal Law No. 171-FZ, dated July 11, 2011, "On the Recognising Invalid Certain Laws of the Russian Federation";</p> <p>Federal Law No. 375-FZ, dated December 23, 2010, "On Amending Article 1 of the Federal Law on Suspending Certain Provisions of Article 48 of the Federal Law on Insurance of Household Deposits with Russian Banks";</p> <p>Federal Law No. 168-FZ, dated July 17 2009, "On Amending the Federal Law on Additional Measures to Support the Financial System of the Russian</p>
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1.6	Legal protection of bank supervisors	The Bank of Russia Law establishes the powers of Bank of Russia employees to enable them to perform their functions as regulators and supervisors, but it does not guarantee supervisors any legal immunity	
1.7	Legal framework for inter-agency co-operation	The legislative framework of co-operation between the Bank of Russia and other agencies is established by international treaties signed by the Russian Federation, federal laws and interbank agreements. The Bank of Russia is entitled to request and receive the required information free of charge from the federal executive authorities, their territorial agencies, and legal entities, to compile banking and monetary statistics, balance of payments of the	Articles 9, 51 and 57 of the Bank of Russia Law.

		Russian Federation, financial account of the Russian Federation in the system of national accounts, and to analyse the economic situation.	
1.7.1	Domestic supervisory authorities		
1.7.2	Foreign supervisory authorities	<p>The Bank of Russia represents the Russian Federation in relations with central banks of foreign states and also in relations with international banks and other international monetary and financial organizations.</p> <p>The Bank of Russia may ask a foreign central bank or banking supervisory authority for information or documents received from supervised credit institutions and it may also present a foreign banking supervisory authority with such information or documents if they do not contain data on operations conducted by credit institutions and their customers and if this banking supervisory authority complies with the information security requirements established by Russian legislation for the Bank of Russia. In respect to information and documents received from foreign central banks and banking supervisory authorities, the Bank of Russia must comply with the information disclosure requirements established by Russian legislation, allowing for the requirements established by foreign legislation.</p> <p>The Bank of Russia may apply to a foreign financial regulator for information and/or documents, including confidential, which contain banking secrets.</p> <p>The Bank of Russia exchanges with the foreign financial regulator information and/or documents, including confidential, that have banking secrets (hereinafter referred to as the confidential information), under:</p> <ol style="list-style-type: none"> 1) the Multilateral memorandum of understanding on consultations, interaction and information exchange with the International Organization of Securities Commissions; 2) an international treaty with the Russian Federation; 3) a bilateral information exchange agreement with a foreign financial regulator, if legislation of the corresponding foreign state provides for the level of data protection no less than that of being stipulated by Russian legislation. <p>As far as confidential information received from the foreign financial regulator is concerned, the Bank of Russia is obliged to</p>	<p>Articles 51 and 51.1 of the Bank of Russia Law;</p> <p>Bank of Russia Ordinance No. 1381-U, dated January 29, 2004, “On the Procedure for Exchanging Information and (or) Documents between the Bank of Russia and Central Banks and Banking Supervisory Authorities of Foreign States” (hereinafter referred to as Ordinance No. 1381-U).</p>

		<p>comply with disclosure requirements set by Russian legislation, in line with Part 2 of this Article.</p> <p>Confidential information received by the Bank of Russia from the foreign financial regulator may be sent to third parties only with the regulator's consent, except for cases, when such information is provided to court during criminal proceedings.</p> <p>When the Bank of Russia receives a motivated request by the foreign financial regulator in accordance with a procedure stipulated by agreements specified in Part 2 of this Article, the Bank of Russia sends such information request based on a decision by the Financial Supervision Committee. The Bank of Russia's information request may not indicate any purposes of receiving such information.</p> <p>The Bank of Russia based on its Board's decision has the right to present to the foreign financial regulator confidential information on operations and/or transactions if the latter has made a motivated request in cases specified by agreements given in Part 2 of this Article, as well as on persons who conducted these operations and/or transactions, and/or beneficiaries under these operations and/or transactions, excluding data with state secrets.</p> <p>The Bank of Russia submits this confidential information to the foreign financial regulator on the condition that legislation of the corresponding foreign state provides for the level of data protection no less than that of being stipulated by Russian legislation, as well as the latter will not pass confidential information to third parties, including law-enforcement authorities, without Bank of Russia's prior written consent, except for cases, when such information is provided to court during criminal proceedings.</p>	
2	Bodies licensing banking operations		
2.1	Licensing bodies	The Bank of Russia.	Articles 4 and 59 of the Bank of Russia Law; Articles 12, 13 and 15 of the Banking Law; Instruction No. 135-I, dated

			<p>April 2, 2010, “On the Bank of Russia Decision-Making Procedure Relating to the State Registration of Credit Institutions and the Licensing of Banking Operations” (hereinafter referred to as Instruction No. 135-I);</p> <p>Bank of Russia Regulation No. 277-P, dated October 25, 2005, “On the State Register of Credit Institutions”.</p>
2.2	Capital adequacy requirements	<p>According to Instruction No. 139-I, the Bank of Russia established the equity capital adequacy requirements (N1.i ratio): bank’s common equity adequacy ratio (N1.1), bank’s core capital adequacy ratio (N1.2), and bank’s equity capital adequacy ratio (N1.0) for a bank as the ratio of the bank’s capital of the corresponding level to risk-weighted assets (net of reserves). The calculation also includes credit risk on contingent credit liabilities, credit risk on derivative financial instruments, operational risk and market risk. The minimum N1.0 ratio for banks according to Instruction No. 139-I is set at 8.0%.</p> <p>The minimum N1.1 ratio is set at 4.5%.</p> <p>The minimum N1.2 ratio is set at 6.0%.</p> <p>The minimum N1 ratio for non-bank settlement credit institutions is set at 12% under Instruction No. 129-I; for non-bank credit institutions conducting deposit and lending operations it is 15% under Regulation No. 153-P; for non-bank credit institutions having a right to make money transfers without opening banking accounts and to conduct related banking operations it is 2%</p>	<p>Articles 62 and 62.1 of the Bank of Russia Law;</p> <p>Clauses 2.1 and 2.2 of Bank of Russia Instruction No. 139-I, December 3, 2012, “On Banks’ Required Ratios” (hereinafter referred to as Instruction No. 139-I).</p>

		under Bank of Russia Instruction No. 137-UI, dated September 15, 2011, “On Required Ratios of Non-bank Credit Institutions Having a Right to Make Money Transfers without Opening Banking Accounts and to Conduct Related Banking Operations and the Specifics of Bank of Russia Supervision of their Compliance” (hereinafter referred to as Bank of Russia Instruction No. 137-I).	
2.2.1	Minimum authorized and equity capital requirements	<p>The following minimum capital requirements are set for credit institutions:</p> <ul style="list-style-type: none"> - the minimum authorized capital of a newly registered bank (as of the day the bank applied for the state registration and a banking license) was set at 300 million rubles; - the minimum authorized capital of a newly registered non-bank credit institution, except for the minimum authorized capital of a newly registered central counterparty, as of the day the non-bank credit institution applied for the state registration and a banking license, was set at 90 million rubles; - the minimum authorized capital of a newly registered central counterparty as of the day it applied for the state registration and a banking license was set at 300 million rubles; - the minimum equity capital of a bank and the minimum equity capital of a non-bank credit institution requesting the status of a bank (as of the 1st day of the month during which the relevant application was submitted to the Bank of Russia) was set at no less than 300 million rubles; - the minimum equity capital of a central counterparty was set at 300 million rubles; - the minimum equity capital of a credit institution requesting a general license was set at no less than 900 million rubles (as of the 1st day of the month during which the credit institution submitted the relevant application to the Bank of Russia). <p>A bank that had an equity capital of less than 180 million rubles as of January 1, 2007, may continue operating if its equity capital does not decrease from the level achieved on January 1, 2007.</p> <p>The equity capital of a bank that meets the requirements established in paragraph 8 hereof should be no less than 90 million rubles from January 1, 2010.</p> <p>The equity capital of a bank that meets the requirements stated in paragraphs 8 and 9 hereof, as well as a bank that have been set up after January 1, 2007, should not be less than 180 million rubles as of January 1, 2012.</p>	<p>Article 72 of the Bank of Russia Law;</p> <p>Articles 11, 11.2, 18, 35 and 36 of the Banking Law;</p> <p>Sections 4, 7, 8, 11¹ and 13 and 14 of Instruction No. 135-I;</p> <p>Section 2 of Bank of Russia Regulation No. 290-P, dated July 4, 2006, “On the Procedure for Granting Bank of Russia Permission to Credit Institutions to Have Subsidiaries in a Foreign State” (hereinafter referred to as Regulation No. 290-P).</p> <p>Bank of Russia Ordinance No. 2264-U, dated July 17,</p>

		<p>The equity capital of a bank that meets the requirements stated in paragraphs 8-10 hereof, as well as a bank that have been set up after January 1, 2007, should not be less than 300 million rubles from January 1, 2015.</p> <p>Should the bank's equity capital decrease as a result of the change made by the Bank of Russia in the methodology of calculating a bank's equity capital, the bank that had an equity capital of 180 million rubles or more as of January 1, 2007, as well as a bank that have been set up after January 1, 2007, should achieve within 12 months the minimum equity capital of 180 million rubles and from January 1, 2015 300 million rubles, calculated according to the Bank of Russia's new methodology of calculating a bank's equity capital, while the bank that had an equity capital of less than 180 million rubles as of January 1, 2007, should achieve the higher of the two levels, the equity capital it had as of January 1, 2007, calculated according to the Bank of Russia's new methodology of calculating a bank's equity capital, or the equity capital indicated in paragraphs 9-11 hereof as of the corresponding date.</p> <p>The minimum equity capital of a non-bank credit institution is set at 90 million rubles, except for the case stipulated in Part 10 of Article 11.2 of the Banking Law.</p> <p>A non-bank credit institution that had equity capital in the amount of less than 90 million rubles as of 1 July 2016 shall have the right to continue its operations if its equity capital does not decrease as compared to the level achieved as of 1 July 2016.</p> <p>Equity capital of a non-bank credit institution that meets the requirement set forth in Part 10 of Article 11.2 of the Banking Law shall be not less than 90 million rubles starting 1 July 2019.</p> <p>Should equity capital of a non-bank credit institution fall below the level stipulated in Part 9 or 10 of Article 11.2 of the Banking Law following the amendments to the equity capital calculation methodology by the Bank of Russia:</p> <ol style="list-style-type: none"> 1) a non-bank credit institution that had equity capital in the amount of at least 90 million rubles as of 1 July 2016, or a non-bank credit institution founded after 1 July 2016, shall achieve equity capital in the amount of 90 million rubles calculated in compliance with the new methodology for determining equity capital determined by the Bank of Russia within 12 months; 2) a non-bank credit institution that had equity capital in the amount of less than 90 million rubles as of 1 July 2016, shall achieve equity capital calculated in compliance with the new methodology for determining equity capital determined 	<p>2009, "On Invalidating Sub-clause (b) of Clause 2.1 of Bank of Russia Regulation No. 290-P, Dated July 4, 2006, on the Procedure for Issuing Bank of Russia Permits to Credit Institutions to Have Subsidiaries in Foreign States and Clause 19 of Article 189⁵⁰ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)".</p>
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2.2.2	Minimum capital components	<p>The authorized capital of a credit institution is made up of the contributions paid by its members and determines the minimum value of property guaranteeing the interests of its creditors.</p> <p>The authorized capital of a credit institution may be formed:</p> <ol style="list-style-type: none"> 1) with Russian currency; 2) with foreign currency (allowing for the restrictions imposed by the Federal Law on Foreign Exchange Regulation and Foreign Exchange Control) – the common European currency (euro) and (or) one or more national currencies of the following 	<p>Articles 11 and 25¹ of the Banking Law;</p> <p>Article 72 of the Bank of Russia Law;</p> <p>Article 15 of the Deposit Insurance Law;</p>

		<p>countries: Australia, the United Kingdom of Great Britain and Northern Ireland, the Kingdom of Denmark, Canada, the People’s Republic of China, New Zealand, the Kingdom of Norway, the United States of America, the Kingdom of Sweden, the Swiss Confederation, and Japan. Other foreign currency shall not be accepted for contribution to the authorized capital of the credit institution;</p> <p>3) with a building (office) owned by the founder (member) of the credit institution, including in-built facilities or extensions in which a credit institution may be housed;</p> <p>4) with property owned by the founder (member) of a credit institution, such as automatic teller machines and terminals designed to accept cash from customers and safe keep it;</p> <p>5) with federal bonds according to the procedure specified by federal laws.</p> <p>The Bank of Russia sets a limit on the size of property (non-monetary) contributions to the authorized capital of a credit institution and specifies what kind of non-monetary property may be contributed as payment to authorized capital.</p> <p>The value of non-monetary property used to pay for shares (stakes in the authorized capital) of a credit institution may not exceed 20 percent of the placement price of the shares (stakes in authorized capital).</p> <p>The value of non-monetary property used to pay for shares (stakes in the authorized capital) of a credit institution in case of the authorized capital augmentation may not exceed 20 percent of the total value of the funds disbursed in payment for the shares (stakes in the authorized capital) of this credit institution earlier and funds disbursed as payment for its shares (stakes in authorized capital) when its authorized capital was augmented.</p> <p>If non-monetary property was used earlier (before the authorized capital augmentation) as payment for shares (stakes in the authorized capital) of a credit institution and this property was a part of the credit institution’s property at the time its authorized capital was augmented, the value of this property (confirmed by the credit institution’s authorized body at the time when it was used as payment for shares (stakes in authorized capital) is taken into account when calculating the limitation indicated in the previous paragraph.</p> <p>Pursuant to regulations of the Government of the Russian Federation, the state corporation Deposit Insurance Agency (hereinafter referred to as the Agency) is entitled to purchase shares (stakes) of banks participating in the deposit insurance</p>	<p>Sections 4 and 17 of Instruction No. 135-I;</p> <p>Section 2 of the Federal Law on Foreign Exchange Regulation and Foreign Exchange Control;</p> <p>Article 62 of the Bank of Russia Law;</p> <p>Sections 2, 3 and 14 of the Instruction of the Bank of Russia No. 148-I, dated 27 December 2013, “On the Procedure of Issue of Securities of Credit Institutions on the Territory of the Russian Federation” (hereinafter referred to as Instruction No. 148-I).</p>
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		<p>system to ensure financial stability of the deposit insurance system. The rules for the marginal value of property (non-monetary) contributions in the authorized capital of a credit institution, the compulsory appraisal of property contributed to the authorized capital, including by an independent appraiser, are not applied to payments made by the Agency for banks' shares (stakes). The stipulated procedure for payment for banks' shares (stakes) is not applied to the purchase of shares (stakes) by the Agency in compliance with Federal Law No. 127-FZ, dated October 26, 2002, 'On Insolvency (Bankruptcy)'.</p> <p>Creditors' claims on subordinated loans (deposits, loans) (bonded loans), including claims on non-paid interest on these loans (deposits) (bonded loans), as well as claims on financial sanctions for the failure to meet obligations on subordinated loans (deposits, loans) (bonded loans), may be exchanged (converted) into ordinary shares (stakes) in a credit institution.</p>	
2.2.3	Source confirmation	<p>Borrowed funds may not be used to form the authorized capital of a credit institution. The authorized capital of a credit institution, when its authorized capital is increased, may not be paid up by offsetting claims to the credit institution, except for monetary claims on the payment of declared dividends in cash. The Bank of Russia may establish the procedure and criteria for assessing the financial position of the credit institution's founders (members).</p> <p>The documents as per list set by the Bank of Russia regulations should be submitted to the Bank of Russia to support state registration of a credit institution and getting a banking license to confirm the origin of the sources deposited by the founders to the authorized capital of such credit institution.</p> <p>Non-acceptable financial position of the credit institution's founders should be considered a reason to deny state registration to a credit institution and issue it a banking license.</p> <p>The Bank of Russia makes certain that the founders (members) of a credit institution have enough equity capital to acquire shares (stakes) and there are no grounds for a refusal to acquire shares (stakes) in a credit institution because of the unsound financial position of the founders (members) of a credit institution in the cases stipulated by law.</p> <p>The corporate and individual founders of a new credit institution should have enough adjusted net assets (equity capital, property) to acquire shares (stakes) in a credit institution and be financially sound.</p> <p>Should the authorized capital of a credit institution be increased, the corporate and individual entities acquiring the shares (stakes) in the credit institution must have enough net assets (equity capital) to acquire the shares (stakes) in the credit</p>	<p>Articles 11, 14 and 16 of the Banking Law; Sections 2, 7 and 17 of Instruction No. 135-I; Bank of Russia Instruction No. 148-I; Bank of Russia Instruction No. 146-I, dated 25 October 2013, "On the Procedure for Obtaining Bank of Russia Permission to Acquire Shares (Stakes) in a Credit Institution" (hereinafter referred to as the Instruction No. 146-I); Bank of Russia Regulation</p>

		<p>institution.</p> <p>Should the authorized capital of a credit institution be increased, no assessment of financial soundness of the corporate and individual entities should be made provided 1% or less of the shares (stakes) of such credit institution (including those acquitted earlier) is acquired if the value of the acquired shares (stakes) does not exceed 20 million rubles or if the authorized capital of the credit institution was augmented as a result of a swap or conversion of creditors' claims on subordinated loans (deposits, loans, bonds) (hereinafter referred to as subordinated instruments), including claims on unpaid interests on subordinated instruments, as well as claims on financial sanctions for a failure to honor liabilities on subordinated instruments (hereinafter referred to as creditors' claims on subordinated instruments) into ordinary shares (stakes) of the credit institution in cases stipulated in Part 6 of Article 25.1 of the Banking Law.</p> <p>The requirement for the assessment of financial position of legal entities pursuant to the procedure stipulated in Regulation No. 415-P are not applicable to the purchase of shares (stakes) of member-banks of the deposit insurance system by the state corporation Deposit Insurance Agency in compliance with Part 6 of Article 15 of the Deposit Insurance Law.</p> <p>Legal entities and private individuals who make a transaction (transactions) aimed at acquiring more than 10% of the shares (stakes) in a credit institution and (or) establishing control over the credit institution's members holding more than 10% of the shares (stakes) in a credit institution (hereinafter referred to as credit institution's shareholders (members)) who are also affiliated with the credit institution must be financially sound including enough net assets (equity capital, property).</p> <p>Assessment of the legal entity's financial position to make sure it has enough adjusted net assets (equity capital) is based on its accounting (financial) statements, calculation of a value of the adjusted net assets (equity capital), and economic profile facts (if available).</p> <p>To determine the adjusted net assets value (equity capital) which can be considered a source to acquire the credit institution's shares (stakes) and (or) make a transaction (transactions) to establish control over shareholders (members) of a credit institution the net assets value is reduced by:</p> <p>the amount of accounts receivable overdue by more than 90 days which accounts for more than 5% of the legal entity's assets (net of reserves for doubtful debts);</p>	<p>No. 415-P, dated 18 February 2014, "On the Procedure and Criteria for Assessing the Financial Position of Corporate Founders (Participants) of a Credit Institution and Corporate Entities Making Transactions Aimed at Acquisition of Equities (Shares) of a Credit Institution and (or) Control over Shareholders (Participants) of a Credit Institution" (hereinafter referred to as Regulation No. 415-P), and Bank of Russia Regulation No. 416-P, dated 18 February 2014, "On the Procedure and Criteria for Assessing the Financial Position of Individual Founders (Participants) of a Credit</p>
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	<p>the amount of accounts receivable of business entities (net of reserves for doubtful debts) and financial investments into business entities (net of provisions for impairment of financial investments) which have been dissolved, are in a process of being dissolved, or have been declared insolvent (bankrupt);</p> <p>the amount of shares (stakes) in crossholding with another founder (member) of a credit institution (legal entity which acquires shares (stakes) in a credit institution) as well as the amount of shares (stakes) in crossholding with a founder (member) of a credit institution (legal entity which acquires shares (stakes) in a credit institution) and a credit institution;</p> <p>the amount of financial investments in shares (stakes) of credit institutions;</p> <p>the amount of adjusted net assets value (equity capital) of a legal entity quoted in the received prior consent from the Bank of Russia to acquire shares (stakes) in credit institutions which has not been implemented as of due date (shares (stakes) due date) or the non-used portion of this amount in case the Bank of Russia prior consent has been partially implemented;</p> <p>the amount of authorized capital already paid up, however appropriate changes added to the corporate institution's charter to illustrate the increase in authorized capital have not been properly registered.</p> <p>The amount of adjusted net assets (equity capital) of a person in a process of acquiring of (or have already acquired) shares (stakes) in a credit institution and (or) making a transaction (transactions) aimed at establishing control over shareholders (members) of a credit institution is considered enough provided it is not less than:</p> <p>the value of acquiring (acquired) shares in a credit institution acting as a joint-stock company(calculated from a share placement (realization) cost and a number of shares) or a contribution value (additional contribution), or the value of acquiring (acquired) shares in a credit institution acting as a joint-stock company or superadded liability company;</p> <p>or in cases stipulated by Regulation No. 415-P – the amount (part) of equity capital (stock) in a credit institution.</p> <p>Calculations of the net assets (equity capital) in a foreign legal entity are based on the methods established by the authorized body of appropriate foreign state or made in accordance with Clause 6.4 of Regulation No. 415-P. The economic content of the net assets (equity capital) index for a foreign legal entity should match the Russian concept of net assets which is the delta between the volume of assets and the value of liabilities of a legal entity.</p> <p>Financial soundness of a legal entity is considered acceptable when there is no financial (any other) evidence of serious</p>	<p>Institution and Corporate Entities Making Transactions Aimed at Acquisition of Equities (Shares) of a Credit Institution and (or) Control over Shareholders (Participants) of a Credit Institution” (hereinafter referred to as Regulation No. 416-P); Bank of Russia Regulation No. 307-P, dated 20 July 2007, “On the Procedure for Making the Accounting of and Providing Information on Affiliated Parties of Credit Institutions”.</p>
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financial problems arising from business activities of a legal entity which may affect its ability to properly fulfill its liabilities.

Acceptability of a legal entity's financial position (a legal entity making(having performed) a transaction (transactions) aimed at establishing control over shareholders (members) of a credit institution being an exception) is made in the following directions:

- financial stability analysis;
- creditworthiness analysis;
- working capital effective use (business activity), return on capital and financial results (profitability).

Also, annual and intermediate accounting (financial) statement indicators, information on fixed assets, inventories, other information on assets, liabilities, legal entity's sources of financing, credit and debit, on business financial results, on cash flows, on post-due date consequences, on contingencies as well as other information revealed in the above-mentioned accounting statements in accordance with Russian law are used to analyze the financial position.

Financial position acceptability analysis should be adequate as regards business nature and scope, industrial and regional specifics of a legal entity, and include the assessment of instrumental factors related to its business.

The composition of financial indicators (ratios) and their accounting estimates are determined by a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department or Credit Institutions Licensing and Financial Rehabilitation Department of the Bank of Russia) or other entities responsible for financial position analysis.

Assessment of a foreign legal entity's financial position to prove its acceptability is made with financial indicators (ratios) which in terms of economic content match the ratios of financial stability, creditworthiness, efficiency to use working capital (economic activity), profitability and financial result (efficiency) stipulated in Regulation No. 415-P on the basis of concepts set in this Regulation.

Irrespective of other requirements set in Regulation No. 415-P a legal entity's financial position cannot be recognized acceptable in the following cases:

- if an action of solvency (bankruptcy) is brought against a legal entity or it is in a process of liquidation;
- if a legal entity has tax, dues, fee, fine arrears (including a three-year time period for a credit institution's founders);
- there exist evidence that a legal entity defaulted on its liabilities as there are no funds left in its bank accounts;

if the results of court's disposition of the cases involving a legal entity may produce its default or financial instability resulting in its non-acceptable financial position as per criteria set in Regulation No. 415-P;

if a legal entity has not been performing the activities as laid down in its Charter (economic activities) within the last three years for which the annual accounting (financial) statements were provided and the last financial period (including any of the mentioned above), and the documentation submitted by such legal entity clearly indicates that it has neither fixed assets nor receipts;

if the analysis proves that non-market environment transactions as laid down in Clause 2 of Article 40 of the Tax Code of the Russian Federation, i.e. when the prices for goods, activities or services used by the parties in transaction, experience more than 20% deviation either side, both up and down, from the market price for identical (similar) products (activities and services) within a short period of time, are needed to keep the acceptable (stable) financial position for a legal entity;

if the assets structure of a legal entity as written down in its financial statement as of the last annual due date and (or) the last reporting date is considered non-acceptable;

Regulation No. 415-P establishes assessment peculiarities for the financial position (economic health) of credit institutions and foreign banks;

Financial position assessment to prove sufficiency of net assets in a credit institution acting as an acquirer (controller) is based on the value of net assets (equity capital) which is determined per reporting form 0409123 "Assessment of Net Assets (Equity Capital)" (Basel III) as laid down in Annex 1 to Bank of Russia Ordinance No. 4212-U, dated 24 November 2016, "On the List, Forms and Procedure for Compiling and Submitting Credit Institutions' Reporting Forms to the Central Bank of the Russian Federation" (hereinafter referred to as Ordinance No. 4212-U).

Financial position of a credit institution acting as an acquirer (controller) to prove its acceptable financial position is achieved:

for an inquiring bank – in accordance with Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, "On the Evaluation of Banks' Economic Position". The economic position of an acquiring bank (controller) is considered acceptable if the bank belongs to classification group 1 or classification group 2;

for a nonbank credit institution acting as an acquirer (controller) in accordance with a legislative act of the Bank of Russia which

sets financial position assessment criteria for credit institutions.

A credit institution acting as an acquirer (controller) should not have any overdue money liabilities including the ones towards the Bank of Russia, and it should comply with mandatory reserve requirements and liabilities on averaging mandatory reserves.

When assessing the economic position of a credit institution seeking a prior or subsequent consent from the Bank of Russia to acquire shares (stakes) in another credit institution, a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department of the Bank of Russia) in charge of financial position statement analyzes the values of statutory ratios with due account for the amount supposed to be used (already used) to acquire shares (stakes) in a credit institution. If the analysis findings show that acquisition of shares will result (resulted) in violation of the set values of statutory ratios by a credit institution acting as an acquirer and (or) it has (had) the grounds to apply bankruptcy prevention measures, a financial position of such credit institution – acquirer is considered unsatisfactory.

Assessment of a foreign bank’s financial position to make sure it has enough adjusted net assets (equity capital) is based on its accounting (financial) statements, cost calculation of adjusted net assets (equity capital), and economic profile facts (if available).

To determine the adjusted net assets value (equity capital) which can be considered as a source to acquire a credit institution’s shares (stakes) and (or) make a transaction (transactions) to establish control over shareholders (members) of a credit institution the net assets (equity capital) of a foreign bank calculated in accordance with the method (procedure) of determination of the net assets (equity capital) cost approved by a supervisory authority of a corresponding foreign state are reduced by:

- the amount of financial investments in shares (stakes) of a credit institution which shares (stakes) are acquired (were acquired) by a foreign bank;
- the amount of net assets as received by a foreign bank in a prior consent from the Bank of Russia to acquire shares (stakes) in credit institutions which has not been implemented as of due date (shares (stakes) due date) or the non-used portion of this amount in case the Bank of Russia prior consent has been partially implemented.

Assessment of the financial position to prove foreign bank’s acceptability is based on its accounting (financial) statements.

Financial indicators including those set by a foreign supervisory authority to assess a foreign bank’s financial (economic)

position should be provided by the bank upon request from a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department or Credit Institutions Licensing and Financial Rehabilitation Department of the Bank of Russia) within the time limits set in such request. A decision to send this request is made on the basis of analysis results of the accounting (financial) statements from a foreign bank.

Corporate entities which hold more than 10% of the shares (stakes) in a credit institution and (or) corporate entities exercising control over shareholders (members) of a credit institution who hold more than 10% of the shares (stakes) in a credit institution (hereinafter referred to as Corporate Entities –principal shareholders/stockholders/controllers) in a credit institution) should comply with the financial regulation requirements within the entire time period they hold more than 10% of the shares (stakes) in a credit institution and (or) exercise control over shareholders (members) of a credit institution who hold more than 10% of the shares (stakes) in a credit institution.

To ensure financial position compliance of corporate entities acting as principal shareholders/stakeholders (controllers) in a credit institution with applicable requirements and to identify the facts which can reveal non-acceptable financial position of the above-mentioned corporate entities, a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department) requests and receives from the corporate entities acting as principal shareholders/stakeholders (controllers) in a credit institution information (documentation) covering their current financial position.

The Credit Institutions Licensing and Financial Rehabilitation Department of the Bank of Russia has the right to request the said information (documentation) from a regional branch of the Bank of Russia and its Systematically Important Credit Institutions Supervision Department for financial position assessment.

Financial position of corporate entities acting as principal shareholders/stockholders (controllers) in a credit institution is considered acceptable provided:

the results of annual accounting (financial) statements from a legal entity confirm its economic activities as laid down in the Charter and an audit report (if there is any) as regards the accounting (financial) statements from a legal entity has no conclusion that a going concern used to generate financial (accounting) statements should not be regarded as something observed, and (or) no negative opinion on authenticity of accounting (financial) statements from the legal entity in respect of which an audit was

carried out is expressed;

if:

according to an annual accounting (financial) statement of a legal entity acting as a principal shareholder/stakeholder in a credit institution the net assets value (equity capital) exceeds the amount of financial investments into the shares (stakes) in credit entities written down in its balance sheet (statement of financial position) or has a positive value which does not exceed total financial investments into the shares (stakes) in credit institutions by more than one out of the last two subsequent annual reporting dates;

according to an annual accounting (financial) statement of a legal entity acting as a controller of big block of shares (stakes) in credit institutions its net assets value (equity capital) exceeds the amount of financial investments into the shares (stakes) in credit entities written down in a balance sheet (statement of financial position) of a principal shareholder/stakeholder in a credit institution in respect of which an audit is carried out or has a positive value which does not exceed a total value of the said financial investments by more than one out of the last two subsequent annual reporting dates.

Moreover, a legal entity – principal shareholder/stakeholder (controller) in a credit institution complies with the requirements to the net assets value as set by the Russian laws and regulations. Also, it does not have to reduce its authorized capital to a size that does not exceed its net assets value or liquidate it when the net assets value falls below its authorized capital.

Financial position of a legal entity – principal shareholder/stockholder (controller) in a credit institution is considered non-acceptable if its failure to meet the above-mentioned criteria is a proven fact.

Following the examination of documentation provided by a legal entity – principal shareholder/stakeholder (controller) in a credit institution a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department) within a term of no longer than a month from the day documentation was received generates a statement of conformity that a financial position of a legal entity – principal shareholder/stakeholder (controller) in a credit institution meets the above-mentioned criteria.

If accounting (financial) statements of a legal entity holding a large block of shares (stakes) of the credit institution that has obtained the shares (stakes) in the credit institution as a result of a swap or conversion of creditors' claims on subordinated

instruments into ordinary shares (stakes) of the credit institution in cases stipulated in Part 6 of Article 23.1 of the Banking Law, as well as a controller of the said legal entity, presented for the reporting year when the swap or conversion took place, indicates that the aforementioned requirement for the net assets (equity capital) is not met, but they are not obliged to decrease their authorized capital to the amount not exceeding the value of their net assets, or to be liquidated if the value of net assets falls below the authorized capital, the order to eliminate the violation stipulated in Part 10 of Article 61 of the Bank of Russia Law (with regard to the unsatisfactory financial position) or to curtail participation of the said legal entity holding more than 10% of shares (stakes) of the credit institution in the authorized capital of the credit institution to the amount not exceeding 10% of shares (stakes) of the credit institution or to make a transaction (deal) aimed at terminating the control over shareholders (participants) of the credit institution (hereinafter referred to as the order) shall not be sent to these corporate entities.

The financial position of such entities shall be assessed in compliance with the procedure stipulated in Section 10 of Regulation No. 415-P on the basis of the documents (information) they have presented for previous reporting period in compliance with the established procedure.

If facts are revealed that financial position of a legal entity is recognized non-acceptable a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department) requests a legal entity – principal shareholder/stakeholder (controller) in a credit institution to provide necessary clarifications or additional documents which could be used to prove the facts or deny them. A legal entity – principal shareholder/stakeholder (controller) in a credit institution should provide appropriate clarifications (documents) within the time limits stated in the request.

If following the examination of clarifications (documents) by the Bank of Russia the facts revealed earlier to recognize non-acceptable financial condition of a legal entity – principal shareholder/stakeholder (controller) in a credit institution are proven, and also if such legal entity failed to provide the requested clarifications (documents) a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department of the Bank of Russia) confirms non-acceptable financial condition of such legal entity.

Within 30 days after the financial position of a legal entity – principal shareholder/stakeholder's (controller) in a credit institution was recognized non-acceptable, the Bank of Russia (its regional branch or Systematically Important Credit

Institutions Supervision Department) issues an order to such legal entity. When in a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department) where the order was generated and sent from, the documents which confirm the fulfillment of the requirements written down in the order by a legal entity – principal shareholder/stakeholder (controller) in a credit institution, a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department) initiates the checking as to whether this information is true or not. If it is true, no later than two days after this information is received the Bank of Russia generates an act to revoke an order and issue a statement that a legal entity – principal shareholder/stakeholder (controller) in a credit institution has fulfilled the requirements of the order with a rationale why the order is revoked. Copies of the documents which confirm this information are attached.

The Bank of Russia act to revoke an order is to be signed by an authority who is empowered to take decisions to forward an order to a legal entity – principal shareholder/stakeholder(controller) in a credit institution no later than five working days the documents which confirm the fulfillment of the requirement written down in the order by a legal entity – principal shareholder/stakeholder (controller) are received by a regional branch of the Bank of Russia (Systematically Important Credit Institutions Supervision Department).

Evaluation of a private individual’s financial position is based on the following criteria.

The monetary resources (property) gained by a private individual from the sources inside and outside the Russian Federation as listed in Article 208 and Article 217 of the Russian Tax Code as well as other monetary resources (property) gained by a private individual, warranted by law and evidenced are viewed as incomes to acquire the shares (stakes) in a credit institution and (or) make a transaction (transactions) aimed at establishing control over shareholders (members) in a credit entity.

The incomes of a private individual may include an excess amount of the current market value of real property assets laid down in the information used to evaluate a financial condition of a private individual (hereinafter referred to as Information) over initial property value stated in the documents considered as a source for its acquisition. The property market value gains should be covered by information over the period such growth took place with the current property market cost evaluation date being the last date of the period in question. The current property market cost should be confirmed by a report from an independent assessor generated in accordance with the Russian laws and regulations.

The gains equal to accrued and earned (added to deposit) interest and opened in private individual's name can be considered as personal income, however private individual's account balance or deposits with the exception of the above-mentioned interest do not have such status.

A private individual has the right to use property owned by a couple on a joint basis in accordance with Article 34 of the Russian Family Code, a spouse's employment income and individual entrepreneur's income, and also declare the property acquired in marriage with a title registered in a spouse's name as a source of equity capital (property) legally obtained otherwise by such private individual who has a documented proof.

Equity capital (property) value of a private individual who acquires (acquired) shares (stakes) in a credit institution and (or) and makes (made) a transaction (transactions) aimed at establishing control over shareholders (members) in a credit institution should be no less than:

a value of shares in a process of being acquired or already acquired in a credit institution acting as a joint-stock company calculated from the offer (sale) price of one share and a number of shares, or value of a deposit (additional contribution), or the value of shares in a process of being acquired (already acquired) in a credit institution acting as a limited liability company or supplementary liability company;

or as applicable – the value (part) of equity capital (capital) in a credit institution.

To make sure a private individual has sufficient personal income (property) to acquire shares (stakes) in a credit institution and (or) to make a transaction (transactions) aimed at establishing control over shareholders (members) in a credit institution its value is subject to reduction by:

the tax amount (irrespective of its type) a private individual paid in accordance with Russian law for the entire time period private individuals should submit their income records;

income tax liability on the basis of implementation documents for the entire time period a private individual should submit his/her income records;

the amount of private individual's investments into the shares (stakes) in corporate entities which are in a process of being liquidated, under receivership, or declared insolvent (bankrupt) in the order prescribed by Russian law (personal law of foreign

		<p>private individual);</p> <p>the amount of private individual's investments into the shares (stakes) in corporate entities belonging to the same group of entities with the individual made over the entire period the income records should be submitted;</p> <p>the amount of private individual's investments into the shares (stakes) in credit institutions made over the entire period the income records should be submitted;</p> <p>the amount of other financial investments including investments in government and municipal securities, securities of economic entities, investments in companies' authorized capital, granted credits, financial support made over the entire period the income records should be submitted;</p> <p>amount of private individual's equity capital (property) written in a prior consent from the Bank of Russia for acquisition of shares (stakes) in credit institutions, not accomplished as of the date which precedes a document submittal date or by the non-used portion of that amount if a prior consent from the Bank of Russia has been partially accomplished;</p> <p>amount of expenses used to acquire the property specified by a private individual in Section IV of Information (irrespective of the date (period) it was acquired as well as the amount of losses borne to acquire property (real estate) with revenue from its realization stated in income records (irrespective of the date (period) this property was acquired by such private individual);</p> <p>amount of private individual's documented actual expenses borne to acquire property when following incomes gained from realization of such property a private individual according to his/her personal income tax return data was granted a property-related tax relief as well as by amount of private individual's documented actual expenses connected with incomes gain;</p> <p>amount of expenses for the liquidation of obligations under the loan agreement (including principal and interest) executed over the entire period the income records should be submitted;</p> <p>amount of private individual's actual expenses connected with income extraction from entrepreneurship as well as taxes paid in connection with this activity carried out over the period the income records covering entrepreneurship should be submitted (provided such incomes are declared by a private individual);</p> <p>amount of losses borne by a spouse if a private individual declares the income of his/her spouse to acquire shares (stakes) in a credit institution;</p>	
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amount of other actual losses borne by a private individual envisaged by Regulation No. 416-P.

Amount of private individual's equity capital (property) is considered sufficient with financial position acceptable provided the cost of shares (stakes) in a process if being acquired (already acquired) in a credit institution or the value (part) of equity capital (property) in a credit institution to the extent applicable is less than (or equal to) a smaller out of two values:

monetary value of the stated unencumbered assets owned by a private individual after deduction of current (accrued, overdue) liabilities;

deficit spending value.

The check on sufficiency of private individual's equity capital (property) including his/her incomes and assessment of his/her acceptable financial position is carried out on the basis of the records and documents submitted by such private individual to prove the source of the said capital(property).

A foreign private individual acting as a founder of a credit institution set up through establishment individually or within a group of entities seeks a prior or subsequent consent from the Bank of Russia in addition to the documents stated in Clause 6.2 of Regulation No. 416-P, presents a proof of funds from the bank with a long-term solvency rating no lower than BBB- Standard & Poor and Fitch Ratings credit rating classifications, and a long-term solvency rating no lower than Baa3 Moody's Investors Service credit rating classification. Specifics of using solvency ratings for the purpose of applying Regulation No. 416-P may be specified by other Bank of Russia regulations.

A time period to cover a private individual's income records which confirm its equity capital (income, property) is left to his/her own discretion.

Upon presentation of the documents to get a subsequent consent from the Bank of Russia a private individual income records should cover a time period preceding the transaction (transactions) due date aimed at acquiring shares (stakes) and (or) establishing control over shareholders (members) in a credit institution.

To confirm justification of the payment of shares (stakes) in a credit institution a private individual's income records should cover a time period preceding the date of payment for the shares (stakes) in a credit institution.

The volume and list of a private individual's income (property) are left to his/her discretion. A private individual may not

include the data on all his/her incomes (property items) to the records. In this case it's up to a private individual to decide on a list of incomes (property items) to be included in the records with due account for the equity capital(property) sufficiency requirement stipulated in Regulation No. 416-P.

Should a private individual receive more than 10% of ordinary shares (stakes) of the credit institution as a result of a swap or conversion of creditors' claim on subordinated instruments in cases stipulated in Part 6 of Article 25.1 of the Banking Law, the private individual shall provide the information confirmed by a document stipulating the sources of the private individual's capital (income) and a taxpayer (levy payer, tax agent) certificate of payment of taxes, levies, fines issued by a tax authority not earlier than 90 days before the provision of the said Information and documents, to the credit institution not later than 90 calendar days after the state registration of amendments to the charter of the credit institution connected with the increase in its authorized capital.

The records provided by such a private individual shall contain the income records and information stipulated in Chapter 3 of Section III of the records.

The private individual shall determine at their own discretion the period of time for which the income records and documents confirming the sources of capital (income) of the said private individual are provided, given that the said period shall precede the day when the credit institution actually borrowing on the subordinated instrument received the funds from the lending private individual or the date of transaction to purchase the right of claim on subordinated instrument by the new lending private individual who obtains the said right from the primary lender or a third party under assignment (reassignment). The information on liabilities of such a private individual shall be as of the date preceding the day of records submission.

The credit institution submits these documents to the Bank of Russia regional division (Bank of Russia Systemically Important Banks Supervision Department) not later than 10 days after they were received by the credit institution.

The financial position of such a private individual shall be recognized as acceptable if their income indicated in the records and confirmed by the documents equals its claims on subordinated instruments as a result of a swap or a conversion of which shares (stakes) of the credit institution were received, or exceeds the said amount, and provided that they have no tax, levy and fine arrears.

		If the financial position of the private individual does not meet the requirements of paragraph 5 hereof, the Bank of Russia regional division (Bank of Russia Systemically Important Banks Supervision Department) uses this information for the purposes of the current supervision over the credit institution.	
2.3	Qualification requirements	See Clauses 2.3.1- 2.3.3.	
2.3.1	Top managers and senior executives	<p>Pursuant to Article 16 of the Banking Law The Bank of Russia is entitled to establish fitness and propriety requirements to the sole executive body, his deputies, members of the collegiate executive body (hereinafter referred to as the head of a credit institution), chief accountant and deputy chief accountant of a credit institution and candidates for the listed positions (including the sole executive body and the chief accountant a non-bank credit institution having a right to make money transfers without opening banking accounts and to conduct related banking operations), acting head of a credit institution (branch), and persons performing certain duties of the abovementioned officers entitled to manage money held on accounts of the credit institution with the Bank of Russia.</p> <p>Candidates for the aforesaid positions should meet the fitness and propriety requirements set by Article 16 of the Banking Law when their candidacy is agreed with the Bank of Russia, when they are appointed (elected) to the position and during the whole period of performing their functions on these positions, including temporary performance of functions.</p> <p>To gain approval of the Bank of Russia a credit institution must submit to the Bank of Russia a request to agree on the candidates for the said positions and a CV handwritten by the candidate and containing data set by Bank of Russia regulations, as well as information:</p> <p>on the university degree in law or economics (with the submission of a copy of a document on education and qualifications) and experience in managing a sector or some other division of a credit institution connected with banking operations of at least one year or at least two years in lieu of special education;</p> <p>documented facts on non-compliance by these persons with business reputation requirements or lack thereof.</p> <p>For the approval of the candidates for the positions of a sole executive body and chief accountant of a non-bank credit</p>	<p>Article 60 of the Bank of Russia Law;</p> <p>Articles 11.1, 14 and 16 of the Banking Law;</p> <p>Sections 3, 6, and 11 of Instruction No. 135-I;</p> <p>Section 2 of Bank of Russia Regulation No. 408-P, dated October 25, 2013, “On the Procedure for Evaluating the Compliance by Persons Specified by Article 11.1 of the Banking Law and Article 60 of the Bank of Russia Law with Fitness and Propriety Requirements and the Procedure for Maintaining</p>

	<p>institution having a right to make money transfers without opening banking accounts and to conduct related banking operations, their CVs are submitted to the Bank of Russia regional branches. The aforesaid CVs should be handwritten by these candidates and contain data set by Bank of Russia regulations, as well as information:</p> <p>on their higher education (with the submission of a copy of a document on education and qualifications);</p> <p>documented facts on non-compliance by these persons with business reputation requirements or lack thereof.</p> <p>The head of a credit institution, chief accountant and a deputy chief accountant of a credit institution, the head and the chief accountant of a branch of a credit institution do not have a rights to hold a position of a head or a chief accountant in other organizations which are credit, insurance or clearing institutions, professional securities market participants, trade organizers in commodity and/or financial markets and joint-stock investment funds, specialized depositaries of investment funds, non-governmental pension funds, organizations carrying out pension provision and pension insurance, managing investment funds, joint-stock investment funds, unit investment funds and non-governmental pension funds, organizations conducting leasing activity or affiliated with a credit institution, are to conduct business activity with no corporate status. If credit institutions are related to one another as parent and subsidiary companies, the sole executive body of the subsidiary credit institution may hold jobs (other than that of the Governor) in the collegiate executive body of the parent credit institution.</p> <p>The business reputation of the aforementioned persons is recognized as contradicting the established requirements in the following cases:</p> <p>unexpunged or outstanding conviction for intended crimes;</p> <p>court adjudication on finding the said person guilty in bankruptcy of a legal entity during the five years preceding the day when documents for the state registration of a credit institution are submitted to the Bank of Russia;</p> <p>failure of the said person who acted as a head, member of the board of directors (supervisory board) or a founder (participant) of a credit institution to fulfill his/her responsibilities under Federal law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' in case bankruptcy prevention measures are required and/or there are signs of insolvency (bankruptcy) of a credit institution;</p> <p>the said person has the right to give binding instructions or otherwise impact actions of the credit institution whose banking</p>	<p>Databases Specified by Article 75 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia) (hereinafter referred to as Regulation No. 408-P).</p>
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<p>license was revoked under Clause 4 of Part 2 of Article 20 of the Banking Law and/or that was recognized insolvent (bankrupt) by the arbitration court;</p> <p>the said person is brought to subsidiary liability on monetary liabilities of a credit institution and/or must fulfill its obligation to make the compulsory payments or liability to cover losses to the credit institution under Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' if less than five years passed following the performance by the person of obligations imposed by a judicial act;</p> <p>passing a claim to replace the said person pursuant to Article 74 of the Bank of Russia Law to the credit institution where the said person held the position of a head of the credit institution (its branch) or a member of the board of directors (supervisory board) of the credit institution within five years preceding the submission of documents to the Bank of Russia to register a credit institution;</p> <p>the said person committed more than three times over a year receding the submission of documents to the Bank of Russia to register a credit institution, an administrative offence in the field of finance, taxes and duties, insurance, securities market or business activity established by the effective ruling of a judge, authority, official authorised to consider a case of administrative offences;</p> <p>disqualification of the said person that has not expires as of the day preceding the submission of documents to the Bank of Russia to register a credit institution;</p> <p>repeated facts of the said person's dismissal pursuant to Clause 7 of Part 1 of Article 81 of the Labour Code of the Russian Federation;</p> <p>the said person acted as the sole executive body, its deputy, a member of the collegiate executive body, the chief accountant or a deputy chief accountant of a credit institution within 12 months preceding the appointment by the Bank of Russia decision of a provisional administration to manage the credit institution with suspension of powers of the executive bodies (except for the persons who provide the Bank of Russia with evidence of their noninvolvement in decision making or actions (lack of actions) resulting in the appointment of the provisional administration);</p> <p>the said person acted as the sole executive body, its deputy, a member of the collegiate executive body, the chief accountant or a</p>	
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2.3.2	Board of directors' members	<p>Under federal law, the Bank of Russia has the power to establish qualification requirements for members of the board of directors (supervisory board) of the credit institution and candidates for the membership.</p> <p>Members of the board of directors (supervisory board) and candidates for the membership should meet the business reputation requirements set by the Banking Law for heads of credit institutions (branches) and candidates for these positions (see Clause 2.3.1) and qualification requirements set by the federal laws.</p> <p>If a member of the board of directors (supervisory board) of the credit institution is found guilty in a deliberate crime or a court ruling on the administrative punishment in the form of disqualification becomes effective, the said member of the board of directors (supervisory board) shall be considered dropped out of the board of directors (supervisory board) starting the day the relevant court ruling comes into force.</p> <p>The Bank of Russia establishes the procedure for assessing the compliance of business reputation of members of the board of directors (supervisory board) with the Banking Law.</p>	<p>Articles 60 and 74 of the Bank of Russia Law;</p> <p>Articles 11.1 and 16 of the Banking Law;</p> <p>Sections 3 and 6 of Instruction No. 135-I;</p> <p>Section 3 of Regulation No. 408-P.</p>

		If members of the board of directors (supervisory board) and candidates for the membership fail to meet business reputation requirements, the credit institution may be denied state registration and a banking license. The Bank of Russia may also demand that alternative candidates be found.	
2.3.3	Major (important) shareholders	<p>The corporate founders of a credit institution should be financially sound, have sufficient equity capital (net assets) to pay to its authorized capital, be in operation for at least three years and meet obligations to budgets of all levels in the last three years.</p> <p>The individual founders should be financially sound and have sufficient equity capital (property) to acquire shares (stakes) in a credit institution.</p> <p>The banking legislation of the Russian Federation sets the following requirements for persons who acquire large blocks (more than 10%) of shares (stakes) in a credit institution and (or) establish direct or indirect (through third persons) control over shareholders (members) of the credit institution holding more than 10% of shares (stakes) in the credit institution.</p> <p>The acquisition, including in the secondary market, and (or) receipt in trust as a result of one or several transactions by a legal entity or a private individual of more than 1% of the shares (stakes) in a credit institution requires the notification of the Bank of Russia and the acquisition of more than 10% of shares (stakes) requires prior permission of the Bank of Russia.</p> <p>Prior permission is also required for a legal entity or a private individual to establish, as a result of one or several transactions, including transactions in the secondary market, direct or indirect (through third persons) control over shareholders (members) of a credit institution holding more than 10% of the shares (stakes) in the credit institution.</p> <p>The said requirements also apply to the acquisition, including the acquisition in the secondary market, of more than 1% of shares (stakes) and more than 10% of shares (stakes) in a credit institution and (or) the establishment of control over the credit institution's shareholders (members) by a group of persons recognized as such in compliance with the Federal Law "On the Protection of Competition."</p> <p>Persons who perform a transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) must meet the requirements for their financial position (according to the assessment procedure and criteria set by the Bank of Russia), as well as business reputation requirements specified by Clause 5 of part 1 of Article 16 of the Banking Law (see also Clause 2.9.2-2.9.4). These business reputation requirements also apply to the sole executive body of the said legal entities.</p>	<p>Articles 11, 14 and 16 of the Banking Law;</p> <p>Articles 60 and 61 of the Bank of Russia Law;</p> <p>Sections 2 and 5 of Instruction No. 135-I;</p> <p>Instruction No. 146-I;</p> <p>Regulation No. 415-P;</p> <p>Regulation No. 416-P.</p>

		<p>Business reputation requirements as specified by Clause 5 of Part 1 of Article 16 of the Banking Law also apply to individuals and legal entities that own more than 10% of shares (stakes) in a credit institution or exert control over the credit institution's shareholders (members), as well as to the sole executive body of the said legal entities.</p> <p>The Bank of Russia is entitled within its supervisory functions and according to its procedure to request and receive information on the financial position of legal entities that own more than 10% of shares (stakes) in a credit institution and (or) exert control over the credit institution's shareholders (members) and business reputation of the sole executive body of the said entities, to set requirements for the financial position of the said legal entities and the procedure for the assessment of their business reputation, as well as to request and receive information on the business reputation of individuals that own more than 10% of shares (stakes) in a credit institution or exert control over the credit institution's shareholders (members) and establish the procedure for the assessment of business reputation of the said individuals.</p> <p>Within thirty days from the moment of identifying unsatisfactory financial position and (or) facts of unsatisfactory business reputation of legal entities that own more than 10% of shares (stakes) in a credit institution or exert control over the credit institution's shareholders (members), facts of unsatisfactory business reputation of individuals that own more than 10% of shares (stakes) in a credit institution or exert control over the credit institution's shareholders (members), facts of unsatisfactory business reputation of a person performing functions of the sole executive body of a legal entity that is a shareholder (member) of a credit institution owning more than 10% of shares (stakes) in a credit institution, of a person performing functions of the sole executive body of a legal entity exerting control over the credit institution's shareholders (members), the Bank of Russia sends to them improvement notices requiring to remedy breaches or to reduce the said shareholders' (members') equity holding to the amount not exceeding 10% of shares (stakes) in the credit institution, or to conclude a deal (deals) aimed at terminating control over shareholders (members) of the credit institution.</p>	
2.4	Business plan	See Clauses 2.4.1 - 2.4.3.	
2.4.1	Projected balance sheet and expected	Under banking legislation, the procedure for compiling a business plan and the criteria for evaluating it are established by Bank of Russia regulations.	Articles 14 and 16 of the Banking Law;

	incomes	<p>A credit institution is required to submit a business plan to the Bank of Russia in the following cases:</p> <ul style="list-style-type: none"> - when establishing a credit institution for its state registration and the receipt of a banking license; - when expanding the range of activities by obtaining additional licenses; - when changing the status of a credit institution (transforming a non-bank credit institution into a bank); - when implementing a reorganization, excluding reorganization in the form of a merger and acquisition. <p>A business plan may not be presented when reorganizing a credit institution, if there are no plans to change the makeup of the members capable of influencing decision-making in the credit institution and/or to change its business lines in the next two years.</p> <p>If a credit institution previously presented its business plan less than a year ago, it may present an amendment to this business plan rather than a new one.</p> <p>The Bank of Russia has the right to refuse to register a new credit institution and issue a banking license to it and prohibit an operating credit institution from expanding the sphere of its activity, changing its status or reorganizing itself if the contents of its business plan do not meet the objectives of presenting it to the Bank of Russia (the evaluation of the ability of the credit institution to operate for a long period of time as a financially sound and profit-making commercial organization) or if its business plan contains false, incomplete or contradictory information.</p> <p>A business plan is a document approved by the general meeting of founders (members) of a credit institution for at least the next two years. It should contain the credit institution's program, including the parameters (indicators) and expected results, thereby allowing the Bank of Russia to make certain that the credit institution can ensure its financial soundness and profitability.</p> <p>For this purpose, a credit institution is required to present its balance of claims and liabilities with a breakdown of individual items, income, expenses and profit plan and forecast for the fulfilment of required ratios and reserve requirements. A credit institution may present indicators for a longer term than two calendar years. These data are used by the credit institution in the analysis of active and passive operations, the state and dynamics of equity capital, the volume and structure of incomes, expenses and profit and the results of this analysis should be described in the business plan.</p>	<p>Sections 3 and 6 of Instruction No. 135-I; Bank of Russia Ordinance No. 1176-U, dated July 5, 2002, "On Credit Institutions' Business Plans" (hereinafter referred to as Ordinance No. 1176-U); Bank of Russia Regulation No. 386-P, dated August 29, 2012, "On the Reorganization of Credit Institutions by Merger and Acquisition"; Bank of Russia Ordinance No. 3222-U, dated April 1, 2014, 'On the Procedure for the Bank of Russia to Take the Decision to Grant the Status of a Bank to the Non-Bank Credit Institution'; Sections 2, 3 and 4 of</p>
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			Regulation No. 408-P.
2.4.2	Internal controls, management and administrative bodies	<p>The statute of a credit institution should contain information on management bodies, including executive bodies, and internal control bodies and on the procedure for establishing them and their powers.</p> <p>A business plan presented by a credit institution should contain data allowing the Bank of Russia to evaluate the adequacy of its management system to the risks assumed by the credit institution: the level of governance, the management structure (the distribution of managerial functions and executive powers) and the development of the management system, including internal controls, and its description.</p> <p>A credit institution (the parent credit institution of a banking group) shall comply with Bank of Russia requirements risk and capital management systems, internal control systems, including requirements for the managers of the internal control and internal audit services of the credit institution, in banking groups.</p> <p>Persons when being nominated for the post of the risk management executive, internal audit service manager or internal control service manager of a credit institution (hereinafter referred to as a service manager of a credit institution) and during the whole period of holding these posts, including temporary (over two months) fulfillment of duties, shall comply with propriety requirements specified by Clause 1 of Paragraph 1 of Article 13 of the Banking Law, and fitness requirements specified by Bank of Russia Ordinance No. 3223-U, dated April 1, 2014 ‘On the Requirements for Heads of Risk Management Department, Internal Control Department and Internal Audit Department of a Credit Institution’ (hereinafter referred to as Ordinance No. 3223-U) stipulating that the said persons shall hold a university degree in law or economics, or other university degree, and have the qualification in risk management and/or internal controls and/or audit, and the following work experience, including with a foreign bank:</p> <p>at least one year as a (deputy) sole executive body of a credit institution, a member of a collegiate executive body of a credit institution or a (deputy) head of a credit institution branch in one of the following fields: risk management, internal controls, internal audit, other controls, banking operations that are principal operations in the structure of a credit institution’s operations in accordance with activities determined by the board of directors (supervisory board) of a credit institution, or risks for which</p>	<p>Articles 10 and 11.1-2, 16 of the Banking Law;</p> <p>Articles 57.1 and 57.2 of the Bank of Russia Law;</p> <p>Section 3 of Instruction No. 135-I;</p> <p>Ordinance No. 1176-U;</p> <p>Bank of Russia Ordinance No. 3223-U, dated April 1, 2014 ‘On the Requirements for Heads of Risk Management Department, Internal Control Department and Internal Audit Department of a Credit Institution’</p> <p>Clause 2.1 of Bank of Russia Regulation No. 242-P, dated December 16, 2003, “On the Organization of Internal Controls in Credit Institutions and</p>

	<p>in accordance with the procedure for managing the most significant for a credit institution determined by the board of directors (supervisory board) of a credit institution, are the most significant for a credit institution, accounting (compiling accounting (financial) statements); or</p> <p>at least three years as a specialist of a credit institution's department in one of the aforementioned fields; or</p> <p>at least three years in departments connected with the issues of methodology and assessment of risk management, internal controls and/or internal audit, authorized bodies responsible for financial market or banking regulation, control and supervision. Qualification in risk management, and (or) internal controls, and (or) audit of a person appointed to the position of a service manager of a credit institution shall be considered sufficient if this person has additional professional training (a professional development program or a conversion course) in risk management, and (or) internal controls, and (or) audit, and has professional skills in this field.</p> <p>A credit institution shall notify the Bank of Russia in a written form on appointing service managers within three days from the date of taking the respective decision.</p> <p>Upon the Bank of Russia's request for information about the person appointed to the position of a service manager of a credit institution, the credit institution shall confirm that the said person meets the requirements stipulated in Clauses 1 and 2 of Ordinance No. 3223-U and additional qualification requirements established in compliance with Clause 6 of Article 111-1 of the Banking Law (if the board of directors (supervisory board) of the credit institution has established additional requirements to the service manager of a credit institution). The credit institution shall submit to the Bank of Russia duly certified copies of the documents underlying the credit institution's assessment of the said person's compliance with the established requirements.</p> <p>In compliance with Article 61.1 of the Bank of Russia Law, the Bank of Russia is entitled to request federal executive authorities, their regional bodies, and legal entities for information required to assess business reputation of the person appointed to the position of a service manager of a credit institution, in compliance with the criteria stipulated by Clause 1 of Part 1 of Article 16 of the Banking Law.</p> <p>The credit institution shall notify the Bank of Russia in a written form on dismissing from the posts of service managers no later than the working day following the date of taking the respective decision.</p>	<p>Banking Groups” (hereinafter referred to as Regulation No. 242-P).</p>
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2.4.3	Organizational structure	<p>In compliance with the Bank of Russia requirements for the contents of the business plan of a credit institution, the description of the organizational structure is a part of the information on the management system and it should comprise information on the structural divisions and committees of a credit institution and their titles, functions, accountability and staff. It should also contain information on prospects for the development of the organizational structure, taking into account the scale of operations conducted by the credit institution and the level of risk it assumes.</p> <p>A business plan should also make clear whether the credit institution participates or intends to participate in a banking group or bank holding company and, if it does, it should include a list of the participants in the banking group or bank holding company and give the name of the parent credit institution of the banking group and (or) the parent (management) company of the bank holding company.</p> <p>The Bank of Russia has also set the procedure for presenting information by the parent organization of a banking group or bank holding company on the establishment of a banking group or bank holding company and its structure.</p>	<p>Article 14 of the Banking Law; Ordinance No. 1176-U; Article 4 of the Banking Law; Ordinance No. 2332-U; Bank of Russia Ordinance No. 3780-U, dated September 9, 2015, “On the Procedure for Notifying the Bank of Russia on the Establishment of a Bank Holding Company, the Formation of a Management Company of a Bank Holding Company and its Granted Powers” (hereinafter referred to as Ordinance No. 3780-U); Bank of Russia Ordinance No. 3777-U, dated September 9, 2015, “On Compiling and Submitting Financial Statements and</p>
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			Other Information on Bank Holding Company Risks to the Bank of Russia” (hereinafter referred to as Ordinance 3777-U).
2.5	Supervision of banking groups	See Clauses 2.5.1- 2.5.4.	
2.5.1	Definition of a group (banking group and bank holding company)	<p>Under applicable banking legislation, a banking group is an association of legal entities which is not a legal entity and in which one legal entity or several legal entities (banking group members) are under control or significant influence from one credit institution (a banking group parent credit institution).</p> <p>A bank holding company is an association of legal entities, which is not a legal entity, established with the participation of a credit institution (bank holding members) which includes at least one credit institution controlled by a legal entity other than a credit institution (the parent organization of a bank holding company) as well as (if available) other (not credit institutions) legal entities under control or significant influence from a banking group parent credit institution or members of the banking groups in credit institutions agents of a banking holding provided the banking share determined on the basis of Bank of Russia procedure accounts for at least 40% in bank holding business. A banking share in banking holding business is determined as a ratio of the assets value and (or) incomes of credit institutions – bank holding members determined on the basis of procedure set by the Bank of Russia and overall income value and (or) bank holding income established with due account for the assets and (or) incomes based on the accounting (financial) statements from the above-mentioned legal entities.</p> <p>Control and significant influence to select banking group members (banking holding) and make reports in accordance with the Banking Law are determined in accordance with the International financial statements standards recognized as valid in the territory of the Russian Federation.</p>	<p>Article 4 of the Banking Law;</p> <p>Bank of Russia Ordinance No. 3086-U, dated October 25, 2013, ‘On the Methodology for Measuring the Assets and Income of Credit Institutions — Members of a Bank Holding Company and Bank Holding Company’ (hereinafter referred to as Ordinance No. 3086-U);</p> <p>Ordinance 3777-U.</p>
2.5.2	Requirements for	The parent credit institution of a banking group and the parent company of a bank holding company shall notify the Bank of	Article 4 of the Banking

	<p>information disclosure on group makeup</p>	<p>Russia about the establishment of a banking group, a bank holding company, or bank holding management and its powers in accordance with the procedure established by law and Bank of Russia regulations.</p> <p>The parent credit institution submits information on the makeup of a banking group to the Bank of Russia on a non-regular basis (so far as changes are made to data on the group's parent credit institution and (or) participants or upon the Bank of Russia's inquiry) and as of January 1 of the year following the reporting year.</p> <p>The parent credit institution of the bank holding company files a notification on the establishment of the bank holding company to the Bank of Russia. Information on the composition of a bank holding company is contained in the report on the composition of the bank holding company presented to the Bank of Russia as of January 1 and July 1.</p> <p>In case the parent credit institution of a banking group violates the law due to its participation in the banking group, inter alia, fails to provide information, provides incomplete or unreliable information, fails to hold compulsory audit or to disclose consolidated statements and the related audit report, the Bank of Russia is entitled to impose measures envisaged by Part 1 of Article 74 of the Bank of Russia Law to the parent credit institution of the banking group.</p>	<p>Law; Article 57 of the Bank of Russia Law; Ordinance No. 2332-U; Ordinance No. 3777-U; Ordinance No. 3780-U.</p>
2.5.3	<p>Criteria for group makeup (acceptable structure)</p>	<p>For the purpose of supervising credit institutions on a consolidated basis and assessment of the accepted risks, the Bank of Russia determines a perimeter of prudential consolidation including participants of banking groups carrying out financial and insurance activity, support activities in financial services and insurance, real estate operations, activity connected with the use of computing machinery and information technologies (in case it is implemented for the purposes of supporting the activity of the parent credit institution of a banking group and/or banking group participants), providing other services (in case they are rendered for the purposes of supporting the activity of the parent credit institution of a banking group and/or banking group participants), and which are structured enterprises established for the purposes of implementing certain financial operations (e.g., securitization of assets of the parent credit institution of a banking group and/or banking group participants) and/or non-financial operations (e.g., operations with real estate).</p>	<p>Article 4 of the Banking Law; Bank of Russia Regulation No. 509-P, dated December 3, 2015, "On Calculating the Capital, Required Ratios and Open Currency Position Limits of Banking Groups" (hereinafter referred to Regulation No. 509-P).</p>

2.5.4	Supervision of holding companies	<p>The Bank of Russia supervises credit institutions and banking groups. The Bank of Russia does not supervise bank holding companies as it is not entitled by law to conduct this activity. In accordance with regulations of the Russian Federation parent companies (management companies) of bank holding companies shall present to the Bank of Russia consolidated financial statements of bank holding companies and information of risks of bank holding companies in accordance with the procedure set by the Bank of Russia. The Bank of Russia analyzes the activity of bank holding companies and uses the obtained information for the purposes of banking supervision of credit institutions and banking groups which are parts of bank holding companies. For the purpose of implementing its functions the Bank of Russia in accordance with the list approved by the Board of Directors is entitled to request and receive from credit institutions, parent credit institutions of banking groups and parent companies of bank holding companies information on the activity of credit institutions, banking groups and bank holding companies, respectively, including information on participants of banking groups and bank holding companies which are not credit institutions, and request clarification of the received information.</p>	<p>Articles 4, 8, 42 and 43 of the Banking Law; Articles 4, 56, 57, 57.1, 57.2, 62-68, 70, 71, 72-75 of the Bank of Russia Law; Bank of Russia Regulation No. 462-P, dated March 11, 2015, ‘On the Procedure to Compile Statements Required for Supervision over Credit Institutions on Consolidated Basis and Other Information on the Activity of Banking Groups’ (hereinafter referred to as Regulation No. 462-P); Regulation No. 509-P; Bank of Russia Ordinance No. 2923-U, dated December 03, 2012, “On Publishing and Submitting Consolidated Financial</p>
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			<p>Statements by Credit Institutions” (hereinafter referred to as Ordinance 2923-U);</p> <p>Bank of Russia Ordinance No. 3981-U, dated March 17, 2016, “On Amending Bank of Russia Ordinance No. 2923-U, Dated 3 December 2012, “On Disclosing and Submitting Consolidated Financial Statements by Parent Credit Institutions of Banking Groups” (hereinafter referred to as Ordinance No. 3981-U);</p> <p>Ordinance No. 3780-U;</p> <p>Ordinance No. 3777-U;</p> <p>Bank of Russia Ordinance No. 3783-U, dated September 9, 2015, “On the Procedure for Submitting Statements and Other</p>
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			<p>Information on Bank Holding Company Risks by a Parent Company to the Bank of Russia as Electronic Messages with Authentication Codes” (hereinafter referred to as Ordinance No. 3783-U);</p> <p>Bank of Russia Ordinance No. 3087-U, dated October 25, 2013, “On Disclosing and Submitting Consolidated Financial Statements by Bank Holding Companies” (hereinafter referred to as Ordinance 3087-U);</p> <p>Bank of Russia Ordinance No. 3781-U, dated September 9, 2015, “On Amending Bank of Russia Ordinance No. 3087-U, Dated 25 October 2013, ‘On Disclosing and</p>
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			Submitting Consolidated Financial Statements by Bank Holding Companies” (hereinafter referred to as Ordinance No. 3781-U); Ordinance No.2332-U.
2.5.5	Ring-fencing	<p>In accordance with regulations of the Russian Federation, a credit institution participating in a banking group (bank holding company) is a separate legal entity. In accordance with the Federal Law, the Bank of Russia supervises credit institutions participating in a banking group (bank holding company) on an individual basis and considering their position inside the banking group and projection of risks accepted by a banking group (bank holding company) (including credit, market (currency, interest rate, equity), operational, liquidity risk, risk from operations and deals between participants of a banking group (bank holding company)) on financial standing of a credit institution participating in a banking group (bank holding company), risk allocation between participants of a banking group (bank holding company).</p> <p>Should a banking (consolidated) group violate the federal laws and the related Bank of Russia regulations and instructions, fail to provide information, provide incomplete or unreliable information, fail to hold a compulsory audit, to disclose information on its activity and the audit report, the Bank of Russia is entitled to restrict certain operations of a credit institution, including those with the parent credit institution of a banking group, parent company of a bank holding company, participants of a banking group, participants of a bank holding company and an affiliated party (parties) for a period up to six months.</p>	<p>Article 4 of the Banking Law;</p> <p>Article 74 of the Bank of Russia Law;</p> <p>Bank of Russia Ordinance No. 3089-U, dated October 25, 2013, “On the Procedure for Supervising Banking Groups” (hereinafter referred to as Ordinance No. 3089-U);</p> <p>Bank of Russia Ordinance No. 3440-U, dated November 7, 2014, “On Amending Bank of Russia Ordinance No. 3089-U,</p>

			Dated 25 October 2013, ‘On the Procedure for Supervising Banking Groups’ (hereinafter referred to as Ordinance No. 3440-U).
2.6	Foreign banking supervisory authority permission (for subsidiary credit institutions and branches of foreign banks)	<p>The Bank of Russia gives prior permission for the establishment of a credit institution with foreign investments, including subsidiary and dependent companies, and permission to acquire and (or) receive in trust more than 10% of shares (stakes) in a credit institution and (or) establish control over the credit institution’s shareholders (members) holding more than 10% of shares (stakes) in the credit institution.</p> <p>When making a decision on issuing a permission to establish a credit institution with foreign investments, the Bank of Russia considers the value of foreign participation in the banking system of the Russian Federation.</p> <p>In compliance with Article 18 of the Banking Law, the value of foreign participation in the aggregate authorized capital of credit institutions holding a banking license shall be calculated as a ratio of foreign investments of non-residents in authorized capitals of credit institutions holding a banking license to an aggregate authorized capital of these credit institutions.</p> <p>Foreign investments not included in the calculation of foreign investments in the authorized capitals of credit institutions holding a banking license are as follows:</p> <ol style="list-style-type: none"> 1) investments in authorized capitals of credit institutions holding a banking license and financed from the revenue of these credit institutions received in the Russian Federation or repatriated to the Russian Federation from abroad; 2) investments made by foreign banks’ subsidiaries holding a banking license to authorized capitals of credit institutions holding a banking license and all subsequent investments of these organizations in authorized capitals of credit institutions holding a banking license; 3) investments to authorized capitals of credit institutions holding a banking license made before January 1, 2007; 4) investments to authorized capitals of credit institutions holding a banking license privatized after August 22, 2012; 	<p>Article 11, 17, 18 of the Banking Law;</p> <p>Article 61 of the Bank of Russia Law;</p> <p>Section 2 of Bank of Russia Regulation No. 437, dated April 23, 1997, ‘‘On the Specifics of Registration of Credit Institutions with Foreign Investments’’ (hereinafter referred to as Regulation No. 437);</p> <p>Instruction No. 146-I;</p> <p>Bank of Russia Ordinance No. 3948-U, dated January 28, 2016, ‘‘On the Procedure for Calculating</p>

		<p>5) investments accounting for at least 51% of shares (stakes) of the authorized capital of the credit institution holding a banking license made after January 1, 2007, provided that these shares (stakes) are held by the investor for at least 12 years, if the Bank of Russia failed to take the decision on further inclusion of these investments in calculation and publish this decision upon the expiry of the said term. The procedure for taking this decision by the Bank of Russia and its publication shall be established by the Bank of Russia.</p> <p>The Bank of Russia shall calculate the amount of foreign participation in the aggregate authorized capital of credit institutions holding a banking license in compliance with the established procedure as of January 1 annually.</p> <p>Information on the amount of foreign participation in the aggregate authorized capital of credit institutions holding a banking license and the indicators applied in its calculation shall be published in the Bank of Russia Bulletin, the official Bank of Russia publication, and on the Bank of Russia website not later than February 15 of the current year,</p> <p>The contingent shall be understood as a marginal value of the amount of participatory share of foreign capital in the aggregate authorized capital of credit institutions holding a banking license equal to 50%.</p> <p>The procedure for calculating the participatory share of foreign capital is determined by Bank of Russia Ordinance No. 3948-U, dated January 28, 2016, “On the Procedure for Calculating the Participatory Share of Foreign Capital in the Aggregate Charter Capital of Credit Institutions Holding Banking Licences”.</p> <p>Should a contingent be reached, the Bank of Russia shall apply the following measures to foreign investments:</p> <ol style="list-style-type: none"> 1) shall refuse to register a foreign-invested credit institution and to issue a banking license; 2) shall prohibit the credit institution holding a banking license to increase the authorised capital out of funds of non-residents and to assign shares (stakes) of the credit institution to non-residents if such actions result in exceeding of contingent. <p>Shares (stakes) of the credit institution assigned (sold) with violation of this ban are not voting and shall not be accounted in determining the quorum of the general meeting of shareholders (participants) of the credit institution as long as the ban is valid. Should a deal (deals) to assign (purchase) shares (stakes) of the credit institution be closed with violation of this ban, the Bank of Russia shall file a suit for recognizing the respective deal (deals) invalid.</p> <p>Measures envisaged by part six of Article 18 of the Banking Law shall not be applied to foreign investments stipulated in</p>	<p>the Participatory Share of Foreign Capital in the Aggregate Charter Capital of Credit Institutions Holding Banking Licences”.</p>
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2.7	Sharing of information with foreign banking supervisory authorities	<p>In due order established by the Bank of Russia it authorizes the setting up of credit institutions with foreign investments, accredits the delegations from foreign credit institutions to be opened in the territory of the Russian Federation, and also supports accreditation of those foreign individuals who will be employed in representative offices of foreign credit institutions.</p> <p>When making the decision to permit non-residents to participate in the authorized capital of a subsidiary credit institution of a foreign bank, the Bank of Russia takes into consideration the possibility of exchanging information in the field of banking supervision between the parent bank's home country authority and the Bank of Russia.</p>	<p>Articles 51 and 52 of the Bank of Russia Law;</p> <p>Article 22 of the Banking Law;</p> <p>Section 11¹ of Instruction No. 135-I;</p> <p>Section 2 of Regulation No. 437-P;</p> <p>Bank of Russia Regulation No. 467-P, dated April 22, 2015, "On the Procedure for the Bank of Russia's Accreditation of Foreign</p>

			<p>Credit Institution Representations and Foreign Nationals Employed by a Foreign Credit Institution Representation; and on the Procedure for Control Over a Foreign Credit Institution Representation's Operations";</p> <p>Ordinance No. 1381-U;</p> <p>Ordinance No. 3089-U;</p> <p>Ordinance No. 3440-U.</p>
2.8	Maximum license granting period	<p>The decision to register a new credit institution and grant it a banking license or to refuse to do so should be made within six months since the submission of all the documents required by the Banking Law, while such decision in relation to a non-bank credit institution having a right to make money transfers without opening banking accounts and to conduct related banking operation should be made within no more than three months.</p> <p>Under law, the authorized capital of the credit institution should be paid within a month of the receipt of the registration notice. The Bank of Russia issues a banking license to the credit institution within three days after the submission of the documents confirming the payment of 100% of the credit institution's declared authorized capital.</p> <p>When a credit institution decides to expand the range of its activities by obtaining a banking license, the relevant documents must be considered and the decision on the issue of the corresponding banking license must be taken within 150 calendar days.</p> <p>This period may be extended by the order of the First Deputy Governor of the Bank of Russia that supervises registration of credit institutions and licensing banking activities or his/her deputy or by the decision of the Bank of Russia Banking</p>	<p>Article 15 of the Banking Law;</p> <p>Sections 6-8 and 14 of Instruction No. 135-I;</p> <p>Clause 8 of Bank of Russia Regulation No. 413-P, dated January 31, 2014, "On the Procedure for Considering by Bank of Russia Head Office Divisions the Documents</p>

		<p>Supervision Committee for no more than 30 calendar days provided notice in writing is given to the credit institution informing on the causes and the term of extension of document consideration, if it is necessary for the Bank of Russia to request and receive information on assessing bank compliance with federal legislation requirements following the consideration of bank license extension at the meeting of the Bank of Russia Banking Supervision Committee.</p>	<p>Presented for the State Registration of Credit Institutions, the State Registration of the Changes in the Articles of Credit Institutions, Obtaining a Banking License and Opening their Branches in Foreign States”;</p> <p>Bank of Russia Regulation No. 271-P, dated June 9, 2005, “On the Examination of the Documents Submitted to a Bank of Russia Regional Branch for the Adoption of the Decision on the State Registration of Credit Institutions, the Issue of Banking Licenses and the Management of Databases on Credit Institutions and their Divisions”.</p>
2.9	Owner control	See Clauses 2.9.1-2.9.6.	

2.9.1	Definition of “control”		International Financial Reporting Standard (IFRS) 10 “Consolidated Financial Statements”.
2.9.2	Definition of a “major shareholder”	<p>The effective legislation does not define a major shareholder (member) of a credit institution but sets the following requirements for the purpose of controlling the acquisition of shares (stakes) in a credit institution. The acquisition, including the acquisition in the secondary market, and (or) receipt in trust as a result of one or several transactions by one legal entity or private individual of more than 1% of the shares (stakes) in a credit institution requires the notification of the Bank of Russia and of more than 10% the latter’s prior permission.</p> <p>Prior consent is also required for a legal entity or a private individual to establish, as a result of one or several transactions, including transactions in the secondary market, direct or indirect (through third persons) control over shareholders (members) of a credit institution holding more than 10% of the shares (stakes) in the credit institution.</p> <p>The said requirements also apply to the acquisition, including the acquisition in the secondary market, of more than 1% of shares (stakes) and more than 10% of shares (stakes) in a credit institution and (or) the establishment of control over the credit institution’s shareholders (members) by a group of persons recognized as such in compliance with the Federal Law “On the Protection of Competition.”</p> <p>The Bank of Russia’s permission to make a transaction (transactions) aimed at the acquisition of 10% of shares (stakes) in a credit institution and (or)the establishment of control over the credit institution’s shareholders (members) may be received after the transaction is conducted (subsequent permission) in case the acquisition of the credit institution’s shares and (or)the establishment of control over the credit institution’s shareholders (members) is made at the public offering, as well as in other cases specified by law. Subsequent permission may be obtained for the acquisition of 10% of shares (stakes) in a credit institution at thepublic offering and (or)the establishment of control over the credit institution’s shareholders (members) by a group of persons recognized as such in compliance with the Federal Law “On the Protection of Competition.”</p>	<p>Article 61 of the Bank of Russia Law;</p> <p>Article 11 of the Banking Law;</p> <p>Section 5 of Instruction No. 135-I.</p> <p>Instruction No. 146-I.</p>

2.9.3	Share acquisition notification and agreement requirement	<p>The acquisition and (or) receipt in trust as a result of one or several transactions by one legal entity or private individual or by a group of legal entities and (or) private individuals of more than 1% of the shares (stakes) in a credit institution requires the notification of the Bank of Russia and of more than 10% the latter's prior permission.</p> <p>A legal entity or a private individual shall be required to obtain the Bank of Russia's prior permission to establish, as a result of one or several transactions, direct and (or) indirect (through third persons) control over shareholders (members) of a credit institution holding more than 10% of the shares (stakes) in the credit institution.</p> <p>The said requirements also apply to the acquisition of more than 1% of shares (stakes) and more than 10% of shares (stakes) in a credit institution and (or) the establishment of control over the credit institution's shareholders (members) holding more than 10% of the shares (stakes) in the credit institution by a group of persons recognized as such in compliance with the Federal Law "On the Protection of Competition."</p> <p>The notification about the acquisition (receipt in trust) of more than 1% of the shares (stakes) in a credit institution is made to the Bank of Russia no later than 30 days after the deed. Should this acquisition be made when increasing the authorized capital of a credit institution, this notification is included in the corresponding package of documents submitted to the Bank of Russia for the state registration of the changes made in its charter and connected with the increase of the authorized capital.</p> <p>The law gives the Bank of Russia 30 days to consider an application for the receipt of prior permission for the acquisition (receipt in trust) of more than 10% of the shares (stakes) in a credit institution and (or) the establishment of control over a shareholder (member) of the credit institution and notify the applicant in writing about its decision (agreement or refusal). Should the Bank of Russia fail to notify about its decision within the established period of time, the transaction aimed at acquiring (receiving in trust) more than 10% of the shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) shall be considered as approved.</p> <p>The Bank of Russia's permission for the transaction (transactions) aimed at acquiring more than 10% of the shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) may be obtained after the completion of the transaction (transactions) (subsequent permission) in cases when the shares of a credit institution are acquired and (or) control over the credit institution's shareholders (members) is established in a public offering, and also in other cases</p>	<p>Article 61 of the Bank of Russia Law;</p> <p>Article 11 and 25¹ of the Banking Law;</p> <p>Clause 19 of Article 189⁵⁰ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)" and Article 10 of the Federal Law on the Use of Russian Government Securities for Increasing the Capitalization of Banks;</p> <p>Sections 3, 5 and 17 of Instruction No. 135-I;</p> <p>Instruction No. 146-I.</p>
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2.9.4	Criteria for obtaining permission to acquire shares in a bank	In the course of performing its supervisory functions, the Bank of Russia may request and receive information in accordance with its established procedure on the financial position and business reputation of persons acquiring more than 10% of the shares (stakes) in a credit institution and persons making a transaction (transactions) aimed at establishing control over the	Articles 52 and 61 of the Bank of Russia Law; Articles 11, 11 ³ , 17, 18 and

		<p>credit institution's shareholders (members), on the business reputation of the person acting as sole executive body of a legal entity acquiring more than 10% of the shares (stakes) in a credit institution, a person acting as sole executive body of a legal entity making a transaction (transactions) aimed at establishing control over the credit institution's shareholders (members), set requirements for their financial position and business reputation assessment, and may also refuse to give its consent to the transaction (transactions) aimed at acquiring more than 10% of the shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) in the case of revealing the facts of unsatisfactory business reputation of the person acting as sole executive body of a legal entity acquiring more than 10% of the shares (stakes) in a credit institution, a person acquiring more than 10% of the shares (stakes) in a credit institution acting as one-man executive body of a legal entity making a transaction (transactions) aimed at establishing control over the credit institution's shareholders (members), and in other cases stipulated by the relevant federal laws and Bank of Russia regulations issued in pursuance of these laws.</p> <p>A legal entity, including one of a group of acquirers, may acquire more than 10% of the shares (stakes) in a credit institution, including acquisitions on the secondary market, if it (they) is (are) financially sound, has (have) been in business for at least three years and has (have) fulfilled obligations to budgets of all levels. The acquirer credit institution should also meet the Bank of Russia reserve requirements.</p> <p>The Bank of Russia shall have the right to refuse to give its consent to the transaction (transactions) aimed at acquiring more than 10% of the shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) in the following cases:</p> <ol style="list-style-type: none"> 1. Unsatisfactory financial position of the person performing the transaction aimed at acquiring more than 10% of the shares (stakes) in the credit institution and (or) establishing control over the credit institution's shareholders (members); 2. If a request submitted in accordance with Federal Law No. 135-FZ ,dated 26 July 2006,“On the Protection of Competition” to go ahead with a transaction (transactions) has not been enforced by the antimonopoly authority provided a transaction (transactions) aimed at acquiring more than 10% of the shares (stakes) and (or) establishing 	<p>32 of the Banking Law; Regulation No. 437-P; Regulation No. 415-P; Regulation No. 416-P; Instruction No. 146-I; Instruction No. 135-I; Section 4 of Regulation No. 408-P.</p>
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		<p>control over the credit institution's shareholders (members) is (are) subject to control in accordance with antimonopoly legislation;</p> <ol style="list-style-type: none"> 3. There is no decision on a preliminary agreement covering a transaction or establishing control in accordance with Federal Law No. 57-FZ, dated 29 April 2008, "On the Procedure for Foreign Investments in the Business Entities of Strategic Importance for Russian National Defence and State Security" if a transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) is (are) subject to control in accordance with the above-mentioned federal law; 4. Unsatisfactory business reputation of a person making a transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) pursuant to Article 16 of the Banking Law as regards the credit institution's shareholders (members) acquiring more than 10% of shares (stakes) in a credit institution. Moreover, the time limits laid down in Paragraphs 3-5, 8, 11 and 12 of Clause 5 of Part 1 of Article 16 of this Federal Law are calculated against the date a request seeking the Bank of Russia consent to go ahead with a transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) is submitted. 5. Existence of other evidence stipulated by the federal laws and Bank of Russia regulations issued in pursuance of these laws. <p>Requirements to assess business reputation of acquirers of shares (stakes) in a credit institution in compliance with the procedure established by Regulation No. 408-P shall not be applied to the acquisitions of shares (stakes) in member-banks of the deposit insurance system by the state corporation Deposit Insurance Agency in compliance with Part 6 of Article 15 of the Deposit Insurance Law.</p> <p>Should the authorized capital of a credit institution be increased through an exchange or a conversion of creditors' claims on subordinated loans (deposits, loans, bonds) (hereinafter referred to as the subordinated instruments), including claims on interest arrears on subordinated instruments and claims of financial sanctions for a failure to honor liabilities on subordinated</p>	
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instruments (hereinafter referred to as creditors' claims on subordinated instruments) into ordinary shares (stakes) in a credit institution in cases stipulated in Article 25.1 of the Banking Law, business reputation of persons who have acquired shares (stakes) in a credit institution as a result of an exchange or a conversion of creditors' claims on subordinated instruments, persons exercising control over such shareholders (members) of a credit institution, and a sole executive body of the said persons shall be assessed in recognition of the following specifics.

In case of changes in personal details, creditors who were shareholders (members) of a credit institution holding more than 10% of shares (stakes) in a credit institution as of the date preceding the date of an exchange or a conversion, and persons exercising control over such shareholders (members) of a credit institution shall provide a notification of changes in personal details (including with respect to the sole executive body of the said persons) to the credit institution in compliance with the procedure established by Clause 4.4 of Regulation No. 408-P.

Creditors, who acquired more than 10% of shares (stakes) in a credit institution as a result of an exchange or a conversion, and persons exercising control over such shareholders (members) of a credit institution shall provide documents listed in Clause 4.3 of Regulation No. 408-P to the credit institution within no more than 90 calendar days following the date of the state registration of amendments to the charter of the credit institution related to an increase in its authorized capital.

A credit institution shall provide documents to a Bank of Russia branch within no more than two days following their receipt by the credit institution.

A Bank of Russia branch shall consider the documents and decide on the reasons, or a lack of them, to send the said persons an instruction stipulated in Clause 4.6 of Regulation No. 408-P within a month after the receipt of the said documents.

Should the acquirer of the shares (stakes) in a credit institution and (or) the person that has established control over the credit institution's shareholders (members) breach the requirements of the legislation on the receipt of prior or subsequent permission, the Bank of Russia shall issue an order for this person to rectify the violation.

The Bank of Russia shall send an order for rectifying the violation no later than 30 days from the day of finding this violation to the following persons: 1) the person who performed the transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in a credit institution in violation of the requirements, 2) the person who established control over a shareholder

(member) of the credit institution in violation of the requirements.

The Bank of Russia's order for rectifying the relevant violation must be fulfilled within a period of no more than 90 days from the date this order is received, by one of the following methods: 1) the receipt of subsequent permission from the Bank of Russia for the acquisition of shares (stakes) in a credit institution and (or) the establishment of control over the credit institution's shareholders (members), which were carried out in violation of the established requirements; 2) the performance of the transaction (transactions) aimed at disposing of shares (stakes) in the credit institution (terminating trust for the shares (stakes) in the credit institution that were acquired in violation of the requirements and (or) terminating control over the credit institution's shareholders (members) that was established in violation of the requirements.

The person who fulfilled the Bank of Russia's order for rectifying the violation by one of the above-mentioned methods must notify the credit institution and the Bank of Russia thereof no later than five days from the date of executing the order.

From the date the Bank of Russia's order for rectifying the violation is received by the credit institution, the shares (stakes) of which were acquired and (or) in relation to the shareholders (members) of which control was established in violation of the requirements, and to the date this order is fulfilled or cancelled, the acquirer of shares (stakes) in the credit institution who committed a violation and (or) the credit institution's shareholder (member) in relation to whom control was established in violation of the requirements, have the right to vote only with respect to the shares (stakes) of the credit institution that do not exceed 10% of the shares (stakes) in the credit institution (additional threshold levels, which exceed 10% and in relation to which special prior or subsequent permission was not received, if the need for this permission is stipulated by Bank of Russia regulations). The other shares (stakes) in the credit institution that were acquired in violation of the requirements and (or) belong to the credit institution's shareholder (member), control over whom was established in violation of the requirements, shall not be considered as the voting stock and shall not be taken into account to determine the quorum of a general meeting of shareholders (members) of the credit institution. The Bank of Russia shall have the right to dispute in court decisions by a general meeting of shareholders (members) of a credit institution that were made in violation of the above-mentioned requirements, and transactions performed in fulfilment of these decisions, in cases when participation in the voting with the shares (stakes) acquired in violation of the requirements, or participation in the voting by the shareholders (members) of the

		<p>credit institution, over whom control was established in violation of the requirements, influenced the decisions made by a general meeting of shareholders (members) of the credit institution.</p> <p>Should the acquirer of the shares (stakes) in a credit institution and (or) the person who established control over the credit institution's shareholders (members) fail to fulfil within the established time period the Bank of Russia's order for rectifying the violation, the Bank of Russia shall have the right to file a lawsuit on invalidating the transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members), and also subsequent transactions by the said persons aimed at acquiring shares (stakes) in this credit institution and (or) establishing control over the credit institution's shareholders (members).</p> <p>The acquisition of shares (stakes) in a credit institution by using non-resident funds is regulated by federal laws and Bank of Russia regulations issued in pursuance of these laws.</p> <p>The Bank of Russia gives prior permission for the establishment of a credit institution with foreign investments, including subsidiary and dependent companies. When considering the issue of permission, the Bank of Russia takes into account the quality of foreign capital in order to prevent non-residents with a dubious business reputation and financial problems from gaining access to the Russian banking sector. The Bank of Russia applies the same fitness and propriety requirements and financial soundness criteria to resident and non-resident founders (members) of a credit institution (see also Clause 2.6).</p>	
2.9.5	Agency granting permission for share acquisition	The Bank of Russia gives a prior or subsequent consent for the acquisition (receipt in trust) of more than 10% of shares (stakes) in a credit institution and (or) the establishment of control over a shareholder (member) of the credit institution and prior permission for the establishment of a credit institution with foreign investments, including subsidiary and dependent companies (see also 2.9.4, 2.6).	Articles 52 and 61 of the Bank of Russia Law; Articles 11 and 18 of the Banking Law; Regulation No. 437-P; Instruction No. 146-I.
2.9.6	Permission obtaining procedure	An application for the Bank of Russia's prior (subsequent) consent to acquire shares (stakes) in a credit institution and (or) establish control over its shareholder (member) by a resident legal entity or individual is filed to a Bank of Russia regional	Articles 52 and 61 of the Bank of Russia Law;

	<p>branch, by a non-resident to the Bank of Russia Credit Institutions Licensing and Financial Rehabilitation Department. Legal entities and individuals (residents and non-residents), a group of resident and non-resident entities file an application for Bank of Russia prior (subsequent) permission to acquire shares (stakes) in a credit institution and (or) establish control over a shareholder (member) of a credit institution supervised by the Bank of Russia Systemically Important Banks Supervision Department to this Department. If the group of persons acquiring shares (stakes) in a credit institution includes or will include a non-resident acquirer who has or will have as a result of the forthcoming deal the right to manage directly or indirectly (through third persons) more than 10% of shares (stakes) in a credit institution (with the acquired shares (stakes) taken into account), this group should present the documents to the Bank of Russia Credit Institutions Licensing and Financial Rehabilitation Department to receive Bank of Russia prior (subsequent) permission.</p> <p>In other cases, to obtain Bank of Russia prior (subsequent) permission, a group of persons that comprise non-resident acquirers, shall file the application for Bank of Russia prior (subsequent) consent and the documents established by Bank of Russia regulations to a Bank of Russia regional branch.</p> <p>The application shall cover reasons for classifying persons as a group of persons supported by respective documents (a description of relationship and events (actions), which can give rise (have given rise) to an establishment of the group of persons or the change of its structure), and reasons for classifying a person being a member of the group as a person who is to establish (has established) control over shareholders (members) of the credit institution supported by respective documents.</p> <p>The application for receiving Bank of Russia prior (subsequent) consent in accordance with the requirements of a Bank of Russia regulation shall be enclosed with the following documents:</p> <ul style="list-style-type: none"> - properly attested copies of the documents confirming the state registration of acquirers (a trust manager) or a person establishing control over a shareholder (member) of a credit institution; - properly attested copies of the founding documents; - documents stipulated by Bank of Russia regulations establishing the procedure and criteria for assessing the financial position; - documents for the assessment of compliance with business reputation requirements; - the list of shareholders (members) who own more than 5% of shares (stakes, contributions, units) in the authorized 	<p>Articles 11, 17, 18 and 32 of the Banking Law; Regulation No. 437-P; Instruction No. 146-I; Regulation No. 415-P; Regulation No. 416-P; Section 4 of Regulation No. 408-P.</p>
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(partnership) capital of the legal entity acquiring shares (stakes) in a credit institution;

- a merger or acquisition agreement copy (project) when acquiring title to shares (stakes) a credit institution by way of succession as a result of reorganization of shareholders (members) of credit institutions by acquisition or merger;
- a copy (project) of documents establishing a split-up procedure and terms and conditions within the reorganization of shareholders (members) of credit institutions by a split-up, a procedure and ratio of conversion of the shares (stakes) of companies being reorganised into the shares (stakes) of companies being established within the reorganization of shareholders (members) of credit institutions by a split-up (a type of placement of the shares (stakes) of a credit institution being established as a result of reorganization of shareholders (members) of credit institutions by a split-up);
- a prior consent by the anti-monopoly agency that anti-monopoly rules have been complied with in the cases established by Russian legislation.

A non-resident legal entity, including a credit institution, also attaches the following documents:

- the decision by an authorized body on the shareholding of this legal entity in the authorized capital of a credit institution domiciled in the Russian Federation;
- permission given in writing by the corresponding host country controlling agency for the shareholding of the legal entity in the authorized capital of a credit institution domiciled in the Russian Federation or the statement by this agency to the effect that such permission is unnecessary. In case of an absence of the statement by the corresponding host country controlling agency of the non-resident legal entity, the Bank of Russia Credit Institutions Licensing and Financial Rehabilitation Department (Systemically Important Banks Supervision Department) is entitled to request a statement by a foreign legal company to the effect that such permission is unnecessary under host country legislation of the non-resident legal entity.

The Bank of Russia considers an application and notifies an applicant of its consent or refusal in writing no later than 30 days after its receipt.

Bank of Russia prior permission to acquire shares (stakes) in a credit institution should be obtained by a legal entity or individual or a group of persons when they acquire, including acquisition on the secondary market, and (or) receive in trust shares (stakes) in a credit institution as a result of one or several transactions.

		<p>The Bank of Russia subsequent permission is considered realised as of the date of its issue.</p> <p>Bank of Russia prior permission to acquire shares (stakes) in a credit institution (taking into account the shares (stakes) acquired earlier) holds good within the acquisition limits indicated in the Bank of Russia decision on the prior permission to acquire (receive in trust) more than 10% of shares (stakes) in a credit institution and must be used within a year.</p> <p>To obtain prior permission to establish a credit institution with foreign investments the founders (members) of a credit institution make an application to the Bank of Russia. The following documents relating to the non-resident legal entity are attached to the application:</p> <ul style="list-style-type: none"> - the founding documents; - the decision by the authorized body of the legal entity on its participation in the authorized capital of a credit institution in the Russian Federation; - a copy of (or an extract from) the document confirming the registration of the legal entity; - balance sheets for the three preceding years certified by an auditor's report; - written consent from the legal entity's home country supervisory authority for the participation in the capital of a credit institution in the Russian Federation or the authority's statement to the effect that its consent is not necessary. <p>A non-resident private individual must present attached to his application the confirmation of his solvency by a foreign bank considered first-class by international standards (a bank with short-term liabilities rated AA, prime-1, by IBCA, Moody's or Standard & Poor's).</p> <p>Bank of Russia permission is valid for a year from the day it was given.</p> <p>After receiving permission to establish a credit institution with foreign investments, the documents necessary for the state registration of the credit institution and the receipt of a banking license are presented to the Bank of Russia regional branch where the credit institution is supposed to locate.</p>	
2.10	License revocation due to discovery of false data on the basis	Should false data be discovered on the basis of which the banking license was issued, the Bank of Russia has the right to revoke this license.	Clause 1 of Part 1 of Article 20 of the Banking Law.

	of which the license was issued (see also Clause 19.2.7)		
2.11	Liquidation by decision of credit institution	A credit institution may be liquidated by the decision of its founders (members) in the absence of grounds for the Bank of Russia's revocation of a banking license and the credit institution's value of property (assets) enough to meet creditors' claims in full.	Clause 2 of Article 61 of the Civil Code of the Russian Federation; Bank of Russia Ordinance No. 2652, dated June 24, 2011, "On the Procedure for Submission and Consideration of a Credit Institution's Application to Revoke a Banking License in Case of Its Liquidation by Decision of Its Founders (Members).
2.12	Definition and protection of the word "bank"	A bank is a credit institution which has the exclusive right to conduct all of the following banking operations: to take household and corporate funds on deposit, place these funds on its own behalf and for its own account on a repayable and chargeable basis for a specific term and open and keep household and corporate bank accounts. No legal entity in the Russian Federation, except the one that has received a banking license from the Bank of Russia and the state corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), may use in its name the words "bank" or "credit institution" or indicate in any other way that this legal entity has the right to conduct banking operations.	Articles 1 and 7 of the Banking Law.
2.13	Non-bank credit	Under applicable legislation, banks have the exclusive right to take household funds on deposit.	Articles 1 and 36 of the

	<p>institutions are prohibited from taking household funds on deposit</p>	<p>Vnesheconombank may not take funds on deposit from households or enter additional funds to the accounts of the private individuals with whom it has concluded a bank account (deposit) agreement, except interest paid under the terms and conditions of the bank account (deposit) agreement. Additional funds, except interest paid under the terms and conditions of the bank account (deposit) agreement, shall be returned to the persons who have given the instruction to enter the funds to the account (deposit).</p> <p>A bank account (deposit) agreement concluded with households before the date of the reorganization of the USSR Bank for Foreign Economic Affairs shall not be terminated unless the agreement stipulates otherwise, except the case in which the account (deposit) holder demands that the corresponding agreement be terminated.</p> <p>A non-bank credit institution has no right to take household funds on deposit.</p> <p>Household funds are taken on deposit only by banks that have the right to do so under a license issued by the Bank of Russia and the state registration of no less than two years. The right to take personal funds on deposit may be granted to a newly registered bank or a bank from the date of the state registration of which less than two years passed if:</p> <ol style="list-style-type: none"> 1) the authorized capital of the newly registered bank or the equity capital of an operating bank stands at 3 billion 600 million rubles; 2) the bank complies with the Bank of Russia regulation to disclose to an unrestricted circle of persons information about people that control or exert material influence on the bank. <p>Such banks participate in the compulsory bank deposit insurance system.</p>	<p>Banking Law; Sections 8 and 14 of Instruction No. 135-I; Instruction No. 129-I; Regulation No. 153-P; The Deposit Insurance Law; Article 21 of Federal Law No. 82-FZ, dated May 17, 2007, “On the Development Bank”.</p>
2.14	Permitted operations	<p>A credit institution, the Bank of Russia, the Deposit Insurance Agency guarantee the secrecy of their customers’ and correspondents’ operations, accounts and deposits. All employees of the credit institution are obliged to keep secrecy about operations, accounts and deposits of its customers and correspondents, as well as other information specified by the credit institution, if this does not contradict federal laws.</p> <p>Banking operations are as follows:</p> <ol style="list-style-type: none"> 1) to take household and corporate funds on deposit (demand and time deposits); 2) to place the funds indicated in Clause 1 on its own behalf and for its own account; 	<p>Articles 1, 5, 6, 13 and 26 of the Banking Law; Article 3 of Federal Law No. 82-FZ, dated May 17, 2007, “On the Development Bank”; Federal Law No. 161-FZ,</p>

		<p>3) to open and keep household and corporate bank accounts;</p> <p>4) to make money transfers on behalf of households and legal entities, including correspondent banks, in their bank accounts;</p> <p>5) to collect cash, promissory notes, payment and settlement documents and provide cash services to households and legal entities;</p> <p>6) to buy and sell foreign currency in cash and non-cash form;</p> <p>7) to take on deposit and place precious metals;</p> <p>8) to issue bank guaranties;</p> <p>9) to make money transfers without opening bank accounts, including electronic money (except postal transfers).</p> <p>Banking operations are conducted only on the basis of a license issued by the Bank of Russia according to the procedure set by the Banking Law, except for a case indicated in the last paragraph of this Clause and by the Federal Law “On the National Payment System.”</p> <p>In addition, the Bank of Russia banking license gives the bank the right to issue, buy, sell, discount, keep and conduct other operations with securities fulfilling the functions of a payment document, securities confirming the taking of funds on deposit and bank accounts and other securities which can be handled without a special license under federal law, and manage these securities in trust under agreements with households and legal entities.</p> <p>A credit institution has the right to conduct professional activities on the securities market under federal laws. Money transfers without opening banking accounts, except for electronic money transfers, are made on behalf of households.</p> <p>A bank is a credit institution that has the exclusive right to conduct all of the following banking operations: to take funds on deposit from private individuals and corporate entities, place these funds on its own behalf and at its own expense on a repayable and chargeable basis for a specific term and open and keep personal and corporate bank accounts.</p> <p>A non-bank credit institution is:</p> <p>1) a credit institution that has the right to conduct banking operations stipulated by Clauses 3 and 4 (only in regard to legal entities’ banking accounts in connection with making money transfers without opening banking accounts), as well as by Clause 5 (only in connection with making money transfers without opening banking accounts) and by Clause 9 of part 1 of Article 5 of</p>	<p>dated June 27, 2011, “On the National Payment System”;</p> <p>Sections 8 and 14 of Instruction No. 135-I;</p> <p>Articles 189¹² and 189⁹³ of Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”;</p> <p>Bank of Russia Regulation No. 275-P, dated August 11, 2005, “On the Procedure for Issuing a Bank of Russia Banking License to a Credit Institution against which the Bankruptcy Case Was Closed Due to the Settlement of its Obligations by Founders (Members) or a Third Person (Third Persons)”;</p> <p>Instruction No. 129-I;</p>
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	<p>the Banking Law (a non-bank credit institution having a right to make money transfers without opening banking accounts and to conduct related banking operations);</p> <p>2) a credit institution that has the right to conduct individual banking operations stipulated by the Banking Law. The permissible combinations of banking operations are established for non-bank credit institutions by the Bank of Russia;</p> <p>3) a credit institution that is a central counterparty operating in compliance with the Federal Law “On Clearing, Clearing Activities, and the Central Counterparty”. The Bank of Russia establishes acceptable combinations of banking operations for non-bank credit institutions which are central counterparties.</p> <p>The Bank of Russia may issue a banking license to a credit institution (except for licenses to take on deposit personal funds in rubles or in rubles and foreign currency) if the bankruptcy case against it has been closed due to the settlement of its obligations by founders (members) or a third party (third parties).</p> <p>The main conditions for issuing a banking license to a credit institution are as follows: a credit institution must settle its obligations no later than six months after the revocation of the banking license; there must be no new claims by creditors or debt on compulsory payments; a credit institution’s authorized capital should not fall behind the Bank of Russia requirements (300 million rubles for a bank, 90 million rubles for a non-bank credit institution requesting the license to effectuate settlements at the instruction of corporates, including correspondent banks, across their bank accounts, and 18 million rubles for a non-bank credit institution seeking to obtain the license to transmit funds without opening bank accounts and conduct other related bank operations, and 18 million rubles for a non-bank credit institution not seeking to obtain the license) and should not exceed the credit institution’s own funds (capital); the candidates for executives, a chief accountant and deputy chief accountants and members of the board of directors (supervisory board) of a credit institution should meet the applicable qualification requirements; the confirmation by the arbitration court of the settlement of all obligations by the credit institution that arose as of the banking license revocation date; the certificate by the authorized agency confirming that the credit institution has no debt on compulsory payments; information on the members of the credit institution and their groups (affiliated persons), which makes it possible to identify beyond doubt persons (including persons who are not members of the credit institution) who control or have considerable influence on the credit institution..</p>	Regulation No. 153-P.
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		The state corporation the Bank for Development and Foreign Economic Activities (Vnesheconombank) may conduct banking operations under the Federal Law on the Development Bank.	
2.15	Operating restrictions	<p>A credit institution is prohibited from engaging in production, trade and insurance. These restrictions do not apply to agreements on financial derivatives or pledge one party to the agreement to pass goods to the other party or require one party to buy or sell goods by order of the other party on terms and conditions set in the agreement, if the obligation to deliver is terminated without execution in kind, and also to agreements signed for the purpose of performing the functions of the central counterparty and the operator of commodity supplies in compliance with the Federal Law “On Clearing, Clearing Activities and the Central Counterparty”. These restrictions do not also apply to the sale of property acquired by credit institutions to support their activities, and to the property sold by a credit institution in case of the enforcement of collateral in relation to the debtor’s failure to settle a mortgage-backed obligation or received by the credit institution as compensation under a contract.</p> <p>Banks and non-bank credit institutions conducting deposit and lending operations may not use more than 25% of their equity capital to buy shares (stakes) in other legal entities.</p> <p>Settlement non-bank credit institutions may not use their equity capital to acquire shares (stakes) in other legal entities.</p>	<p>Article 5 of the Banking Law;</p> <p>Article 70 of the Bank of Russia Law;</p> <p>Clause 2.1.10 of Regulation No. 153-P;</p> <p>Instruction No. 129-I.</p>
3.	Capital adequacy		
3.1	Minimum capital adequacy requirements	<p>According to Instruction No. 139-I, the Bank of Russia established the equity capital adequacy requirements (N1.i ratio): bank’s common equity adequacy ratio (N1.1), bank’s core capital adequacy ratio (N1.2), and bank’s equity capital adequacy ratio (N1.0) for a bank as the ratio of the bank’s capital of the corresponding level to risk-weighted assets (net of reserves). The calculation also includes credit risk on contingent credit liabilities, credit risk on derivative financial instruments, operational risk and market risk. The minimum N1.0 ratio for banks according to Instruction No. 139-I is set at 8.0%.</p> <p>The minimum N1.1 ratio is set at 4.5%. The minimum N1.2 ratio is set at 6.0%.</p> <p>Instruction No. 129-I sets the minimum N1 ratio for non-bank credit institutions conducting settlement operations at 12%.</p> <p>Regulation No. 153-P sets N1.3 ratio for non-bank credit institutions conducting deposit and lending operations at 15%.</p> <p>In compliance with Regulation 509-P, the Bank of Russia established capital adequacy ratios of the banking group:</p>	<p>Sub-clause 6 of Article 62 and Article 67 of the Bank of Russia Law;</p> <p>Clauses 2.1 and 2.2 of Instruction No. 139-I;</p> <p>Regulation No. 509-P</p>

	<p>The minimum numerical value of the common equity adequacy ratio of the banking group is set at 4.5%;</p> <p>The minimum numerical value of the core capital adequacy ratio of the banking group is set at 6%;</p> <p>The minimum numerical value of the equity capital adequacy ratio of the banking group is set at 8%;</p> <p>The marginal value of the equity capital adequacy ratio of banking groups whose parent credit institutions are non-bank settlement credit institutions are set at 12%.</p> <p>The Bank of Russia shall have the right to establish increased values of own funds (capital) adequacy ratios of a credit institution, banking group (capital conservation buffer charge, countercyclical capital charge), and systemic capital charge of systematically important credit institutions, banking groups whose parent company or participant is a systematically important credit institution, method for calculating them, procedure for meeting them and recovery of own funds (capital) by credit institutions (parent credit institutions of banking groups, participants of banking groups) in order to comply with the said capital charges.</p> <p>The Bank of Russia established the following charges to the capital adequacy ratios of the banking group:</p> <ul style="list-style-type: none"> • capital adequacy charge <p>The minimum numerical value from January 1, 2016 is 0.625%, from January 1, 2017 – 1.25%, from January 1, 2018 – 1.875%, and from January 1, 2019 – 2.5%;</p> <ul style="list-style-type: none"> • countercyclical capital charge <p>The minimum numerical value from January 1, 2016 is 25%, from January 1, 2017 – 50%, from January 1, 2018 – 75%, and from January 1, 2019 – 100% of the Russian countercyclical capital charge established by the Bank of Russia Board of Directors and published on the Bank of Russia website;</p> <ul style="list-style-type: none"> • systemic capital charge <p>The minimum numerical value from January 1, 2016 is 0.15%, from January 1, 2017 – 0.35%, from January 1, 2018 – 0.65%, and from January 1, 2019 – 1.0%.</p> <p>The parent credit institution of the banking group shall calculate the charges in compliance with the procedure established by</p>	
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		Bank of Russia Instruction No. 139-I for credit institutions, consistent with the specifics established by Regulation No. 509-P. The parent credit institution of the banking group shall calculate the charges to the capital adequacy ratios of the banking group on the consolidated basis only.	
3.1.1	Risk-weighted assets	<p>Bank assets are divided into five groups, depending on the extent of risk of investments and their possible devaluation, and the following risk ratios are established for each group: 0%, 20%, 50%, 100% and 150%.</p> <p>Group 1 assets (risk ratio: 0%) - foreign exchange and checks, including traveller's checks; gold in the bank's vaults and en route; funds in the accounts opened by credit institutions to provide cash services to their branches; funds deposited with Bank of Russia establishments for the receipt of cash and gold on the next day; ruble denominated and funded funds in correspondent and deposit accounts with the Bank of Russia, including correspondent accounts of the settlement centers of the organized securities market (OSM) with the Bank of Russia and funds deposited by the authorized banks with the Bank of Russia, other funds deposited with the Bank of Russia and accrued interest claims on the Bank of Russia; the required reserves deposited with the Bank of Russia; investments in Bank of Russia bonds denominated and funded in rubles (that is, investments funded by obligations (liabilities) denominated in the currency of the credit claim (asset); credit claims denominated and funded in rubles (that is a bank's claims on the borrower (counterparty) and carrying inherent credit risk, including loans, loan and similar debts, identified pursuant to Bank of Russia Regulation No. 254-P, funds in correspondent accounts, including the balances of funds relating to unfinished settlements across correspondent accounts, precious metals provided to customers, funds transferred in compliance with the reserve requirements of the authorized agencies of foreign states, investments in securities (debt obligations and shares), which do not require the market risk calculation, and claims for the return of funds in operations conducted on a returnable basis with securities received without the termination of recognition) and claims for the receipt of accrued interest on the part of the funds secured by the ruble denominated guarantees of the Russian Federation and the Ministry of Finance of the Russian Federation and Bank of Russia guarantees; credit claims on Russian resident banks on transactions conducted from October 14, 2008, through December 31, 2009, whenever Bank of Russia compensation is due under the agreements concluded between the Bank of Russia and Russian resident banks pursuant to Article 3 of Federal Law No. 173-FZ of October 13, 2008, 'On Additional Measures in Support of the Financial System of the Russian Federation;'</p>	<p>Article 67 of the Bank of Russia Law;</p> <p>Clause 2.3 of Instruction No. 139-I;</p> <p>Regulation No. 509-P.</p>

credit claims and accrued interest claims nominated and funded in rubles on the Russian Federation, the federal bodies of executive power, including the Ministry of Finance of the Russian Federation; denominated and funded in rubles, credit claims and accrued interest claims whenever they are secured by the collateral of the ruble-denominated Russian Government, Finance Ministry and Bank of Russia securities to the amount of 80 percent of the current (fair) value of these securities; credit claims and accrued interest claims on the central banks or governments of countries that have country ratings 0 and 1 according to the classification of the export credit agencies participating in the arrangement between the member countries of the Organization for Economic Co-operation and Development (OECD) on officially-supported export credits and organizations empowered by the laws of their respective countries to borrow on behalf of the state; credit claims and accrued interest claims whenever they are guaranteed by governments or central banks of countries with country ratings 0 and 1 or organizations which the laws of their respective countries grant the status of guarantees of governments or central banks of these countries and also credit claims and accrued interest claims whenever they are secured by the collateral of debt securities, denominated in the same currency as the claim, of central banks or government debt securities of countries that have country ratings 0 and 1 to the amount of 80 percent of the current (fair) value of these securities; credit claims and accrued interest claims on international financial organizations (the Bank for International Settlements, International Monetary Fund and European Central Bank) and international development banks (the World Bank, International Bank for Reconstruction and Development, International Finance Corporation, Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, European Investment Bank, Nordic Investment Bank, Caribbean Development Bank, Islamic Development Bank and Council of Europe Development Bank); credit claims and accrued interest claims whenever they are secured by guarantees (sureties) of the aforementioned international financial organizations, guarantees (bank guarantees) of the aforementioned international development banks; credit claims and accrued interest claims whenever they are secured by the surety deposit (deposit) and (or) the collateral (pledge) of the creditor bank's own debt securities denominated in the same currency as the claim in the amount of 80 percent of the fair value of the securities and also credit claims and accrued interest claims whenever they are secured by ingot gold.

Group 2 assets (risk ratio: 20%) - credit claims and accrued interest claims, denominated and funded in rubles, on the

<p>constituent territories and municipalities of the Russian Federation; credit claims and accrued interest claims, denominated and funded in rubles, whenever they are secured by ruble-denominated guarantees of the constituent territories or municipalities of the Russian Federation or the collateral of the ruble-denominated debt securities of the constituent territories or municipalities of the Russian Federation in the amount of 80 percent of the fair value of the securities; credit claims and accrued interest claims, denominated and funded in rubles, on Russian resident banks, the Foreign Economic Development Banks, the state corporation (hereinafter referred to as Vneshekonombank), with terms of up to 90 calendar days; settlement participants' claims on the settlement non-bank credit institutions, including the settlement centers of the OSM, credit institutions parties to transactions with settlement participants on the organised trading floor and buyer for each instrument selling settlement participant and seller for each instrument buying settlement participant (hereinafter referred to as the credit institutions performing the functions of the central party on the organised trading floors), the liquidity boosting fund, specially created by the settlement participants, claims of principal credit institutions on brokerage operations with securities and other assets whenever they are placed by the broker in the settlement non-bank credit institutions, including the OSM settlement centers, or in credit institutions performing the function of the central party on the organised trading floors, and bank claims on currency and stock exchanges; credit claims and accrued interest claims on the central banks or governments of countries with country rating 2 and organizations which the laws of their respective countries empower to borrow on behalf of the state; credit claims and accrued interest claims whenever they are secured by guarantees (sureties) of the governments or central banks of countries with country rating 2 or organizations to which the laws of their respective countries grant the status of government or central bank guarantees and also credit claims and accrued interest claims whenever they are secured by the collateral, denominated in the same currency as the claim, of debt securities of the central banks or government securities of countries with country rating 2 in the amount of 80 percent of the fair value of securities; credit claims and accrued interest claims on credit institutions resident in countries with country ratings 0 and 1; credit claims and accrued interest claims whenever they are secured by guarantees (sureties) of credit institutions resident in countries with country ratings 0 and 1; gold in transit; ruble-denominated and funded investment in bonds of single housing development agency supported by the state in compliance with the budget law of the Russian Federation (hereinafter referred to as the single development agency), and ruble denominated and funded</p>

investment in mortgage-backed bonds secured with a ruble denominated surety of the single development agency.

Group 3 assets (risk ratio: 50%) - credit claims and accrued interest claims, denominated and (or) funded in foreign currency, on the Russian Federation, the federal bodies of executive power, including the Ministry of Finance of the Russian Federation and the constituent territories and municipalities of the Russian Federation and credit claims and accrued interest claims, denominated in rubles and funded in foreign currency, on the Bank of Russia; credit claims and accrued interest claims, denominated and (or) funded in foreign currency, credit claims in the form of precious metals (provided or placed) and accrued interest claims whenever they are secured by guarantees of the Russian Federation, the federal bodies of executive power, including the Ministry of Finance of the Russian Federation, the constituent territories and municipalities of the Russian Federation and Bank of Russia banking guarantees; foreign currency denominated credit claims and accrued interest claims whenever they are secured by the collateral of Russian Government debt securities denominated in the same currency as the claim, Russian Finance Ministry debt securities and debt securities of the constituent territories and municipalities of the Russian Federation in the amount of 80 percent of the fair value of securities; credit claims and accrued interest claims on the central banks or governments of countries with country rating 3 and organizations empowered by the laws of their respective countries to borrow on behalf of the state; credit claims and accrued interest claims whenever they are secured by guarantees (sureties) of the governments or central banks of countries with country rating 3 and in the amount of 80 percent of the fair value of securities of organizations which the laws of their respective countries grant the same status as government and central bank guarantees (sureties) and credit claims and accrued interest claims whenever they are secured by the collateral of debt securities, denominated in the same currency as the claim, of the central bank or governments of countries with country rating 3; credit claims and accrued interest claims on credit institution resident in countries with country rating 2; credit claims and accrued interest claims whenever they are secured by guarantees (sureties) received from credit institutions resident in countries with country rating 2;

Group 4 assets (risk ratio: 100%) - all other bank assets, including credit requirements, accrued interest requirements and overdue requirements on the central banks or governments of the Commonwealth of Independent States member countries with country rating ⁷ and residents of these countries. Group 4 assets are assets (operations, transactions) of higher risk: transactions

		<p>the economic (commercial) purpose of which is not clear; transactions with non-transparent counterparties, including those who are not ready to disclose to the lender all material information on their activities; transactions as a result of which a bank receives property the owners of which are difficult to identify and a real fair (fair) value of which is hard to assess; assets additional risk on which depends on transaction peculiarities that lead to higher risk as compared with a standard level. In calculating a bank's capital adequacy, higher risk ratios for these assets are used: risk ratio for transactions with non-transparent counterparties is established at 110% and for other transactions – at 150%.</p> <p>Group 5 assets (risk ratio: 150%) - credit claims, accrued interest claims and overdue claims on the central banks or governments of countries with country rating ⁷, organizations which the laws of their respective countries empowered to borrow on behalf of the state and credit institutions resident in these countries.</p>	
3.1.2	Debt-to-equity ratio	None.	
3.2	Regulated capital components	The Bank of Russia shall establish the methods for calculating capital and required ratios of a credit institution (banking group), taking into account international practices and consultations with credit institutions and banking associations and unions.	Article 72 of the Bank of Russia Law.
3.2.1	Tier 1 capital components	<p>Fixed capital is defined as the total of the sources of common equity and sources of additional capital net of the indicators decreasing the value of sources of common equity and additional capital.</p> <p>Sources of common equity of fixed capital comprise:</p> <ul style="list-style-type: none"> - the authorized capital of a credit institution incorporated as a joint-stock company, formed as a result of the issuance and placement of: <ul style="list-style-type: none"> ordinary shares, preference shares on which dividend is not established by the credit institution's charter, which are non-cumulative, issued before March 1, 2013, and issued in compliance with Federal Law No. 173-FZ, dated October 13, 2008, 'On Additional Measures to Support the Financial System of the Russian Federation' or federal bonds paid by the state corporation Deposit Insurance Agency (hereinafter referred to as the Deposit Insurance Agency) in compliance with Federal Law No. 451-FZ, dated December 29, 2014, 'On Amending Article 11 of the Federal Law On the Insurance of Household Deposits with Russian 	Clause 2 of Bank of Russia Regulation No. 395-P, dated December 28, 2012, "On the Methodology for Measuring Bank Capital and Assessing its Adequacy (Basel III)" (hereinafter referred to as Regulation No. 395-P) and Clause 2 of Annex to Regulation 395-P;

	<p>Banks and Article 46 of the Federal Law On the Central Bank of the Russian Federation (Bank of Russia)’. - the authorized capital of a credit institution incorporated as a limited liability company, formed as a result of the payment of stakes by the founders (members) of a credit institution; - share premiums of a credit institution incorporated as a joint-stock company¹, which signify an income in the form of surplus of allotment price of shares to their par value received in the formation and/or increase of authorized capital of a credit institution formed through a difference between the par value of shares and their allotment price and/or a difference arising when shares are paid for with foreign currency between the share value, calculated at the official rate of the foreign currency against the ruble, set by the Bank of Russia as of the day the funds are entered into authorized capital, and the par value of the shares established in the prospectus; - share premiums of a credit institution incorporated as a limited liability company, which signify a an income in the form of surplus of the value of stakes in the credit institution as it was when they were paid for by members and the nominal value of the stakes, received in the formation and/or increase of authorized capital of a credit institution formed through a difference between the value of stakes in the credit institution as it was when they were paid for by members in the formation or increase of authorized capital of a credit institution and the nominal value of the stakes at which they are accounted for in authorized capital, and (or) a difference between the value of the stakes, calculated at the Bank of Russia foreign currency exchange rate as of the day the foreign currency was received in payment of the authorized capital of the credit institution and the value of the stakes established in the decision on the payment of the stakes with foreign currency; - the reserve fund of a credit institution, formed in compliance with federal law in accordance with the procedure established by the credit institution’s charter from previous years’ retained profits of the credit institution. The reserve fund is included in the sources of fixed capital on the basis of data contained in the credit institution’s annual accounting statements confirmed by an audit firm; - the part of the reserve fund of a credit institution formed from current-year profits (in case the charter of the credit institution provides for formation of the reserve fund from current-year profits) confirmed by an audit firm; - current-year profits confirmed by an audit firm (except for revaluation of instruments for hedging cash flows on hedged items</p>	Regulation 509-P.
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		<p>not estimated at fair value)²;</p> <ul style="list-style-type: none"> - profits of the past years confirmed by an audit firm². <p>The sum of fixed capital sources can be reduced by the following:</p> <ul style="list-style-type: none"> - intangible assets net of depreciation, business reputation and investments in the production (manufacture) and acquisition of intangible assets³; - profit tax recoverable in future reporting periods with regard to deferred expenses accounted in calculation of profit tax³; - profit tax recoverable in future reporting periods with regard to deductible temporary differences³; - investments in own ordinary and preference shares³. A credit institution's investments in own shares (stakes) and/or other capital sources signify direct investments in compliance with legislation of the Russian Federation irrespective of the acquisition objective; indirect (through third parties) investments in cash (including in the form of a loan) and/or other property provided by the credit institution and/or the property provided by third parties in case the credit institution directly or indirectly (through third parties) accepts the risks arising from the provision of the said property; investments alienated with the simultaneous obligation to repurchase (less loss provision formed in compliance with requirements of Bank of Russia Regulation No. 283-P "On the Procedure for Making Loan Loss Provisions by Credit Institutions" (hereinafter referred to as Regulation No. 283-P), Bank of Russia Ordinance No. 2732-U, dated November 17, 2001, "On the Specifics of Credit Institutions' Loss Provisioning for Operations with Securities the Rights to Which Are Certified by Organisations (Depositories)" (hereinafter referred to as Bank of Russia Ordinance No. 2732-U) and/or alienated along with the simultaneous granting to the counterparty the right to a payment deferral (less funds received from the counterparty as of the settlement date, loss provisions formed in compliance with requirements of Regulation No. 254-P "On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debts" (hereinafter referred to as Regulation No. 254-P); part of investments managed by management companies (with regard to capital sources in the credit institution-owned share in the joined ownership of property managed by management companies) less loss provision formed in compliance with requirements of Regulation No. 283-P and Bank of Russia Ordinance No. 2732-U (proportional to the said investments); - investments of a credit institution incorporated as a limited liability company in participants' shares and participants' shares 	
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		<p>transferred to the credit institution in compliance with and under procedure stipulated in Articles 23 and 26 of the Federal Law “On Limited Liability Companies”³;</p> <ul style="list-style-type: none"> - losses of previous years²; - current-year loss (except for revaluation of instruments for hedging cash flows on hedged items not estimated at fair value)²; - counter-investments of credit institutions in capital sources of financial organizations, which meet the requirements for inclusion in tier 1 capital (accepted to reduce tier 1 capital in total investments); - investments of credit institutions in ordinary shares (stakes) of financial organizations (including non-resident financial organizations)³ (less counter-investments). Investments of credit institutions in ordinary shares (stakes) and/or other capital sources of a financial organization irrespective of share (stake) acquisition objective and/or other capital sources of the financial organization (other than short-term investments (kept on the balance sheet for up to five business days) and investments which are part of events held in the framework of implementation of financial rehabilitation measures approved by the Bank of Russia and applied to a credit institution in compliance with Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)” and/or implementation of the Bank of Russia-approved plan of the participation of the Deposit Insurance Agency in taking measures to prevent bankruptcy of banks, which provides for its financial assistance under the Federal Law “On Insolvency (Bankruptcy)” signify direct and/or indirect (through third parties) investments in cash (property) provided by the credit institution and/or property provided by third parties in case the credit institution directly or indirectly (through third parties) accepts the risks arising from provision of the said property; investments alienated with the simultaneous obligation to repurchase (less loss provision formed in compliance with requirements of Regulation No. 283-P and Russia Ordinance No. 2732-U), and/or alienated along with the simultaneous granting to the counterparty the right to a payment deferral (less funds received from the counterparty as of the settlement date, loss provisions formed in compliance with requirements of Regulation No. 254-P); part of investments managed by management companies (with regard to capital sources in the credit institution-owned share in the joint ownership of property managed by management companies) less loss provision formed in compliance with requirements of Regulation No. 283-P and Bank of Russia Ordinance No. 2732-U (proportional to the said investments); - the negative value of additional capital; 	
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<p>- credit institution's obligations to purchase fixed capital sources of the credit institution included in the calculation and credit institution's obligations to directly or indirectly provide funds (or other risk collateral) to third parties to make transactions to purchase rights for fixed capital sources included in the calculation of credit institution's capital³;</p> <p>- funds received as payment for shares (stakes) of the credit institution which meet the requirements of Regulation No. 395-P for inclusion in fixed capital sources in case the parent or a subsidiary company of the credit institution or any subsidiary or the parent company of the credit institution gives the owner of shares (stakes) an obligation connected with the ownership of shares of the credit institution³;</p> <p>- funds of the credit institution acting as a central counterparty and meeting the conditions of code 8846 of Appendix 1 to Bank of Russia Instruction No. 139-I intended in compliance with the clearing rules of the credit institution for the following purposes:</p> <p>covering for possible losses resulting from the clearing participants' failure to meet their obligations and used by the central counterparty before using funds invested by bona fide clearing participants in collective clearing collateral (reserved capital of the central counterparty);</p> <p>ensuring termination or restructuring of activity of the central counterparty;</p> <p>covering possible losses resulting from the deterioration in the financial standing of the central counterparty following a decrease in its income or an increase in expenses not connected with clearing participants' fulfilment of their obligations.</p> <p>The amount of funds of the credit institution acting as a central counterparty indicated herein shall be calculated in compliance with Bank of Russia Ordinance No. 2919-U, dated December 3, 2012, "On the Assessment of the Management Quality of a Credit Institution Acting as a Central Counterparty"⁶.</p> <p>- positive difference between the value of expected losses calculated by the credit institution, which has obtained a permission to apply banking methods for managing credit risks and models of quantitative assessment of credit risks applied to determine the value of credit risk based on the internal ratings for the purpose of calculating capital adequacy ratios (hereinafter referred to as the permission) in compliance with Bank of Russia Ordinance No. 3752-U, dated August 6, 2015, "On the Procedure of Obtaining Authorisation to Use Bank's Own Methods to Manage Credit Risks and to Use Models of the Quantitative</p>

Assessment of Credit Risks for Calculating Capital Adequacy Ratios and Also on Their Quality Evaluation Procedure”, in line with Chapter 8 of Section II of Bank of Russia Regulation No. 483-P, dated August 6, 2015, “On the Procedure of Calculating the Credit Risk Value on the Basis of Internal Ratings”, and the amount of provision (provisions) created by the credit institution in compliance with Bank of Russia Regulation No. 254-P, Bank of Russia Regulation No. 283-P, Bank of Russia Ordinance No. 1584-U and (or) Bank of Russia Ordinance No. 2732-U with regards to the credit claims, for which the calculation of credit risk value is based on internal ratings⁶.

Sources of additional capital of fixed capital are as follows:

- the authorized capital of a credit institution incorporated as a joint-stock company formed as a result of issue and placement of preference shares in compliance with the Federal Law “On the Use of Russian Government Securities for Increasing the Capitalization of Banks” and preference shares of certain type which meet the requirements of Regulation No. 395-P;
- share premiums of a credit institution incorporated as a joint-stock company received during the placement of shares which meet the requirements of Regulation No. 395-P for inclusion in additional capital sources;
- a subordinated loan (deposit) with additional conditions raised before March 1, 2013 and meeting the requirements of the Bank of Russia regulation as of the date for inclusion in core capital when calculating equity capital⁴;
- a subordinated loan (deposit) with no term of repayment stated (a subordinated bonded loan with no term of repayment stated) meeting conditions set out in Regulation No. 395-P, raised in compliance with the applicable right to raise debt instruments (subordinated loans, deposits, bonded loans) with no term of repayment stated. The credit institution may include in additional capital sources a subordinated loan (deposit) meeting conditions set out in Regulation No. 395-P, raised up to January 1, 2013 for a term of no less than 50 years, which creditor(s) is (are) being non-residents, whose sole obligations are obligations on subordinated loans (deposits, bonded loans) with no term of repayment stated.

The sum of additional capital sources can be reduced by the following:

- investments in own shares meeting the requirements for inclusion in additional capital sources³;
- counter-investments of credit institutions in capital sources of financial organizations, which meet the requirements for inclusion in additional capital sources (accepted to reduce additional capital in total investments);

		<ul style="list-style-type: none"> - investments of credit institutions in shares of financial organizations meeting the requirements for inclusion in additional capital sources (less counter-investments)³; - subordinated loans (deposits, loans, bond loans) organizations meeting the requirements for inclusion in additional capital sources the credit institution issues to financial organizations (resident and non-resident)³; - the negative value of additional capital; - credit institution's obligations to purchase additional capital sources of a credit institution included in the calculation and credit institution's obligations to directly or indirectly provide funds (or other risk collateral) to third parties to make transactions to purchase rights for additional capital sources included in the calculation of credit institution's capital³; - funds received as payment for shares (stakes) of the credit institution which meet the requirements of Regulation No. 395-P for inclusion in additional capital sources in case the parent or a subsidiary company of the credit institution or any subsidiary or the parent company of the credit institution gives the owner of shares (stakes) an obligation connected with the ownership of shares of the credit institution³; - intangible assets net of depreciation, business reputation and investments in the production (manufacture) and acquisition of intangible assets³; - own shares acquired (bought) by a credit institution from shareholders under the Federal Law "On Joint-stock Companies"; own shares alienated by a credit institution while simultaneously granting to the acquirer (counterparty) the right to a payment deferral⁵; - the stakes transferred to the credit institution from members who applied for withdrawal from the credit institution incorporated as a limited liability company in compliance with Articles 23 and 26 of the Federal Law "On Limited Liabilities Companies"⁵; - credit institution's investments in shares (stakes)⁵: a part of a credit institution's investments in shares (stakes) in subsidiary and dependent legal entities acquired for investment (if the credit institution's shares exceed 20% of the issuing organization's authorized capital); investments in the authorized capital of resident credit institutions incorporated as a limited (additional) liability company and 	
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closed joint-stock company;
 investments in the authorized capital of resident credit institutions incorporated as an open joint-stock company, except the investments that do not exceed 1% of the authorized capital of the share-issuing credit institution;
 investments in own shares and shares of financial companies meeting the requirements for inclusion in additional capital sources alienated with the simultaneous obligation to repurchase and (or) alienated with simultaneous granting to the counterparty the right to a payment deferral;
 - authorized capital (a part thereof) and other sources of own funds (share premiums, profits, reserve fund) (a part thereof) which were formed by investors (shareholders, members and other persons involved in creating the sources of a credit institution's own funds) using improper assets⁵;
 - the negative value of additional capital, resulting from the reduction of the sources of additional capital by the sources (a part thereof) of additional capital (authorized capital, profits, the reserve fund and subordinated loan) formed by investors (shareholders, participants and other persons) by using inappropriate assets⁵.

On the consolidated level (for banking groups) similar approaches are used.

¹ Preference shares issued and placed before March 1, 2013 not meeting the requirements of Regulation No. 395-P, share premiums received from placement of these shares, subject to gradual withdrawal from capital calculation;
 January 1, 2014 – 20%;
 subsequent years – January 1 of the current year annually 10% of the instrument value accumulated as of January 1, 2014.

² Balances related to revaluation of securities current (fair) value of which is determined differently than the weighted average price, shall be included in the indicator as follows:
 from January 1, 2014 – 20% of total calculated revaluation value;
 from January 1, 2015 – 40%;
 from January 1, 2016 – 60%;
 from January 1, 2017 – 80%;
 from January 1, 2018 – 100%.
 From October 1, 2014 income and expenses from financial derivatives are accounted in full when determining the indicator.
 The requirement for revaluation of hedging instruments has become effective from January 1, 2016.

		<p>³ This indicator is included in capital calculation as follows: from January 1, 2014 – 20% of total calculated value of the indicator; from January 1, 2015 – 40%; from January 1, 2016 – 60%; from January 1, 2017 – 80%; from January 1, 2018 – 100%.</p> <p>⁴ Subordinated loan (deposit, loan) with additional conditions not meeting the requirements of Regulation No. 395-P subject to gradual withdrawal from capital calculation: January 1, 2014 – 20%; subsequent years – January 1 of the current year annually 10% of the instrument value accumulated as of January 1, 2014.</p> <p>⁵ This indicator is included in capital calculation as follows: from January 1, 2014 – 80% of total calculated value of the indicator; from January 1, 2015 – 60%; from January 1, 2016 – 40%; from January 1, 2017 – 20%; from January 1, 2018 – complete termination of the use of the indicator.</p> <p>⁶ The requirement has become effective from January 1, 2016.</p>	
3.2.2	Additional capital components	<p>Additional capital is determined as the sum of its sources net of the indicators decreasing the value of additional capital sources.</p> <p>Sources of additional capital comprise:</p> <ul style="list-style-type: none"> - the authorized capital of a credit institution incorporated as a joint-stock company formed as a result of placement of preference shares held before March 1, 2013, except for preference shares meeting the requirements of Regulation No. 395-P for inclusion in sources of additional capital¹; - the authorized capital of a credit institution incorporated as a joint-stock company formed as a result of placement of preference shares held after March 1, 2013, except for preference shares meeting the requirements of Regulation No. 395-P for inclusion in sources of additional capital; - the part of the authorized capital of a credit institution formed due to the capitalization of revaluation surplus before the retirement of property; 	<p>Clause 3 of Regulation No. 395-P, Clauses 3, 4 and 5 of Appendix to Regulation No. 395-P; Regulation No. 509-P.</p>

<ul style="list-style-type: none"> - share premiums of a credit institution incorporated as a joint-stock company received as a result of share placing¹; - the part of the reserve fund of a credit institution formed from deductions from current-year profits (if a reserve fund formation from current-year profits is stipulated by the credit institution's charter) without confirmation by an audit firm and from previous-year profits before confirmation by an audit firm. The reserve fund (or a part thereof) formed from previous-year profits is not included in the additional capital calculation if there is no confirmation by an audit firm after July 1 of the year following the accounting year; - current-year profits not confirmed by an audit firm and not included in fixed capital²; - profits of previous years before the auditor's confirmation²; - subordinated loan (deposit, loan, bond loan); - revaluation surplus of the value of a credit institution's property; - positive difference between the provision (provisions) created by the credit institution in compliance with Bank of Russia Regulation No. 254-P, Bank of Russia Regulation No. 283-P, Bank of Russia Ordinance No. 1584-U, and (or) Bank of Russia Ordinance No. 2732-U, determined in line with Sub-clause 2.2.14 of Clause 2 hereof, and the expected losses calculated by the credit institution, which has obtained a permission in compliance with Bank of Russia Ordinance No. 3752-U, in line with Chapter 8 of Section II of Bank of Russia Regulation No. 483-P, shall be included in additional capital in the amount not exceeding 0.6 percent of the aggregate value of credit risk calculated in compliance with Bank of Russia Regulation No. 483-P³. <p>The sum of additional capital sources can be reduced by the following:</p> <ul style="list-style-type: none"> - investments in own preference shares placed before or after March 1, 2013 , meeting the requirements for inclusion in additional capital sources⁴; - counter-investments of credit institutions in capital sources of financial organizations, which meet the requirements for inclusion in additional capital sources (accepted to reduce additional capital in total investments); - investments of a credit institution in preference shares of financial organizations registered terms of issue of which include conditions for preference shares included in additional capital sources⁴ (less counter-investments);

<ul style="list-style-type: none"> - subordinated loans (deposits, loans) meeting the conditions for inclusion in sources of additional capital, including sources of funding of subordinated loan (deposit, loan) included in additional capital of resident and non-resident financial organizations provided by a credit institution to resident and non-resident financial organizations⁴; - credit institution's obligations to purchase additional capital sources of the credit institution included in the calculation and credit institution's obligations to directly or indirectly provide funds (or other risk collateral) to third parties to make transactions to purchase rights for additional capital instruments included in the calculation of the credit institution's capital in compliance with Regulation No. 395-P⁴; - sources of additional capital (share premiums, profits, reserve fund, subordinated loan) (a part thereof) which were formed by investors using improper assets⁵; - accounts receivable overdue for more than 30 calendar days⁵; - subordinated loans (deposits, loans, bond loans), including subordinated loans with additional conditions issued to resident credit institutions⁵; - the surplus in the total of loans, bank guarantees and warranties, provided by a credit institution to its participants (shareholders) and insiders over its marginal value stipulated by federal laws and Bank of Russia regulations net of provisions⁵; - the surplus in aggregate value of loans, bank guarantees and warranties provided by a credit institution to its participants (shareholders) and insiders over the maximum value established by federal laws and Bank of Russia regulations, less provisions⁵; - investments in construction (building), production (manufacture) and acquisition of fixed assets (net of depreciation and funds received from shared construction participants and expended by a developer credit institution on construction) and inventories surpassing the total of sources of fixed and additional capital⁵; - the surplus in actual value of stake due to a participant who exited a credit institution incorporated as a limited (or additional) liability company over the value the stake was sold to another participant if the stake was transferred to the credit institution and afterwards purchased by a participant of the credit institution or a third party⁵. <p>On the consolidated level (for banking groups) similar approaches are used.</p>	
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		<p>¹ Preference shares issued and placed before March 1, 2013 not meeting the requirements of Regulation No. 395-P, share premiums received from placement of these shares, subject to gradual withdrawal from capital calculation; January 1, 2014 – 20%; subsequent years – January 1 of the current year annually 10% of the instrument value accumulated as of January 1, 2014.</p> <p>² Balances related to revaluation of securities current (fair) value of which is determined differently than the weighted average price, shall be included in the indicator as follows: from January 1, 2014 – 20% of total calculated revaluation value; from January 1, 2015 – 40%; from January 1, 2016 – 60%; from January 1, 2017 – 80%; from January 1, 2018 – 100%. From October 1, 2014 income and expenses from financial derivatives are accounted in full when determining the indicator.</p> <p>³ The standard has become effective from January 1, 2016.</p> <p>⁴ This indicator is included in capital calculation as follows: from January 1, 2014 – 20% of total calculated value of the indicator; from January 1, 2015 – 40%; from January 1, 2016 – 60%; from January 1, 2017 – 80%; from January 1, 2018 – 100%.</p> <p>⁵ This indicator is included in capital calculation as follows: from January 1, 2014 – 80% of total calculated value of the indicator; from January 1, 2015 – 60%; from January 1, 2016 – 40%; from January 1, 2017 – 20%; from January 1, 2018 – complete termination of the use of the indicator.</p>	
3.2.3	Tier 3 capital components	None.	

3.2.4	Other components	None.	
3.2.5	Intermediate positions	<p>The sum of fixed and additional capital is reduced by the amount of the following indicators:</p> <ul style="list-style-type: none"> - accounts receivable overdue for more than 30 calendar days⁴; - the surplus in the total of loans, bank guarantees and warranties, provided by a credit institution to its participants (shareholders) and insiders over its marginal value net of provisions¹; - investments of a credit institution (including a founding credit institution in asset management) surpassing the total of sources of fixed and additional capital in: <ul style="list-style-type: none"> acquisition (leasing) of fixed assets (including land plots), construction (building) and production (manufacturing) of fixed assets (net of depreciation and funds received from shared construction participants and expended by a developer credit institution on construction); real estate temporarily used in principal activity, construction (building) of real estate temporarily used in principal activity, net of depreciation, accumulated impairment losses and funds received from shared construction participants and expended by a developer credit institution on construction, long-term assets held for sale, and inventories (other than publications). <p style="padding-left: 40px;">Investments in assets stipulated herein shall be deemed as investments:</p> <ul style="list-style-type: none"> alienated under reverse transactions without derecognition (net of loss provisions created in compliance with Bank of Russia Regulation No. 283-P and Bank of Russia Ordinance No. 2732-U); managed by management companies (with regard to investments in shares of a credit institution in shared property managed by management companies) net of loss provisions created in compliance with Bank of Russia Regulation No. 283-P and Bank of Russia Ordinance No. 2732-U (proportional to the said investments); <ul style="list-style-type: none"> - the surplus in actual value of stake due to a participant who exited a credit institution incorporated as a limited liability company over the value the stake was sold to another participant if the stake was transferred to the credit institution and afterwards purchased by a participant of the credit institution or a third party¹. <p>¹This indicator is included in capital calculation as follows: from January 1, 2014 – 20% of total calculated value of the indicator;</p>	Clause 4 of Regulation No. 395-P.

		<p>from January 1, 2015 – 40%; from January 1, 2016 – 60%; from January 1, 2017 – 80%; from January 1, 2018 – 100%.</p>	
3.3	Capital adequacy requirements in consolidated supervision	<p>The Bank of Russia set the procedure for determining the capital value of banking groups, procedure for calculating marginal values of required ratios of banking groups. To calculate the capital adequacy ratio the banking group uses approaches similar to those established for credit institution taking account of consolidation specifics.</p> <p>The minimum numerical values of consolidated banking group capital adequacy are as follows: N20.0 capital adequacy ratio for a banking group - 8% of banking group capital; N20.1 common equity adequacy ratio for a banking group – 4,5% of banking group capital; N20.2 core capital adequacy ratio for a banking group – 6% of banking group capital. Also refer to Clause 3.1.</p>	Articles 62 and 67 of the Bank of Russia Law; Regulation No. 509-P; Instruction No. 139-I.
4	Credit risk management		
4.1	Risk management requirements	<p>Procedures for managing risk arising due to the possibility of the borrower’s or the counterparty’s failure to meet contractual obligations to the credit institution (hereinafter referred to as the credit risk) shall include:</p> <p>the procedure for issuing loans and taking decisions on their issuance in the credit institution (subsidiary); methods for determining and the procedure for establishing limits (risk per borrower (group of interrelated borrowers), risk by type of economic activity of borrowers, other limits) in the credit institution (banking group, subsidiary); requirements in the credit institution (subsidiary) to ensuring the performance of obligations by counterparties (borrowers), and the method for its assessment; procedures for managing counterparty risk.</p> <p>A credit institution must draft and approve the corresponding internal documents determining its placement policy and the accounting policy and the principles of implementing it; documents setting the decision-making procedures relating to the placement of funds by the bank; and documents distributing the functions and powers between the bank’s divisions and</p>	Bank of Russia Ordinance No. 3624-U, dated April 15, 2015, “On the Requirements for the Risk and Capital Management System of a Credit Institution or a Banking Group” (hereinafter referred to as Ordinance No. 3624-U); Bank of Russia Regulation

		<p>executives, including internal placement rules and rules on extending loans to the bank's clients.</p> <p>A credit institution must classify its assets, identify doubtful and loss loans, and make provisions for possible losses (loan losses, currency, interest and other financial risks and household bank deposit insurance under federal law) in accordance with the procedure established by the Bank of Russia.</p> <p>The procedure for classifying loan debts and similar debts, the specific criteria used by banks in asset analysis, the evaluation of information provided by the borrower (its completeness, relevancy and reliability) and the procedure for making and implementing decisions to make and write off loan loss provisions should be contained in the corresponding documents of a bank, determining its lending and accounting policy and the methods of implementing it. The Bank of Russia recommends that banks' internal lending and accounting policy documents also deal with issues such as tied lending and the conditions of lending to related persons.</p> <p>Credit risk evaluation and the size of the loan loss provisions should be constantly reviewed.</p> <p>When carrying out its supervisory duties, the Bank of Russia regional branches make sure that banks effectively manage and control the risks arising from lending to related persons.</p>	<p>No. 254-P, dated March 26, 2004, "On the Procedure for Making by Credit Institutions Loan Loss Provisions and Provisions for Loan Debts and Similar Debts" (hereinafter referred to as Regulation No. 254-P);</p> <p>Instruction No. 139-I;</p> <p>Clauses 3.1, 3.3 and 3.8 of and Annex 2 to Regulation No. 242-P.</p>
4.2	Lending concept requirement	<p>A credit institution must adopt internal documents determining its lending policy and establishing the procedure for lending to related persons.</p> <p>Documents worked out by the credit institution (parent credit institution of the banking group) under the ICAAP shall be based on the credit institution's (banking group's) development strategy, which determines, among other things, the lines for the credit institution's (banking group's) development, benchmark volumes of scheduled operations (deals), target capital level and capital adequacy level of the credit institution (banking group, subsidiary).</p> <p>Procedures for credit risk management shall include the procedure for issuing loans and taking decisions on their issuance in the credit institution (subsidiary); methods for determining and the procedure for establishing limits (risk per borrower (group of interrelated borrowers), risk by type of economic activity of borrowers, other limits) in the credit institution (banking group, subsidiary); requirements in the credit institution (subsidiary) to ensuring the performance of obligations by counterparties</p>	<p>Clause 3.8 of and Annex 2 to Regulation No. 242-P;</p> <p>Ordinance No. 3624-U.</p>

		(borrowers), and the method for its assessment.	
5	Assets. Classification and provisioning		
5.1	Loan loss provision requirements	<p>The Bank of Russia establishes the procedure for making provisions by credit institutions and their amount before taxation, including loan loss provisions. The corresponding requirements are set in Regulation No. 254-P.</p> <p>Credit institutions may make a provision for a portfolio of identical loans, in which each loan is small.</p> <p>The possibility of making a provision for the portfolio of identical loans does not apply to such loans extended to one borrower if each of these loans and (or) all of them exceed 0.5 percent of the credit institution's equity capital as of the risk assessment date.</p> <p>A credit institution may not include in the portfolio of identical loans (must exclude from the portfolio of identical loans) a loan with individual signs of depreciation (the deterioration of the financial position of the borrower and (or) the quality of the loan debt service by the borrower), except the loans extended to individuals and small and medium-sized enterprises aggregated in the portfolio of homogeneous loans on the basis of the duration of overdue loan payments. These loans are evaluated (classified) on an individual basis.</p> <p>If individual signs of depreciation have been detected in a loan previously included in the portfolio of homogeneous loans, a credit institution may not remove this loan from the portfolio of homogeneous loans if the value of this loan does not exceed 0.01% of the credit institution's equity capital (but no more than 1,000,000 rubles) and if there is no debt on it overdue more than 90 calendar days (except the case stipulated by paragraph 6 of Clause 5.1 of Regulation No. 254-P). If the loans extended to a borrower are classified on a solo basis and show signs of depreciation, other loans extended to this borrower may not be included in the portfolio of homogeneous loans and (or) they should be removed from the portfolio of homogeneous loans, except the loans whose individual value does not exceed 0.01% of the credit institution's equity capital (but no more than 100,000 rubles). At the same time, the total value of loans extended to one borrower should not exceed 0.5% of the credit</p>	<p>Article 24 of the Banking Law;</p> <p>Article 69 of the Bank of Russia Law;</p> <p>Article 292 of the Tax Code of the Russian Federation;</p> <p>Regulation No. 254-P;</p> <p>Bank of Russia Regulation No. 283-P, dated March 20, 2006, "On Loan Loss Provisions by Credit Institutions" (hereinafter referred to as Regulation No. 283-P);</p> <p>Article 292 of the Tax Code of the Russian Federation (Part 2);</p> <p>Regulation No. 462-P.</p>

		<p>institution's equity capital.</p> <p>In addition, Regulation No. 283-P set the requirements for the classification of balance sheet assets unrelated to loan debts and contingent credit liabilities, other losses and non-credit liabilities, and established the procedure for making loan loss provisions. Deductions to loss provisions by the elements of calculation base envisaged by Regulation No. 283-P shall not be regarded as expenses when calculating the tax base.</p> <p>On the consolidated level (for banking groups) similar approaches are used.</p>	
5.2	Loan loss provisioning periodicity	<p>Under Regulation No. 254-P, credit risk on loans and homogeneous loans portfolios is assessed on a regular basis.</p> <p>The readjustment of a loan provision in connection with the change in the level of credit risk, the change in the principal amount of the debt, including the change caused by the change in the official Bank of Russia exchange rate of the foreign currency in which the loan is denominated against the ruble, or the change in the quality of loan collateral, is implemented as of the first day of the month following the reporting month. Should the end of the reporting period fall on holidays, the readjustment of the provision made for the foreign currency-denominated loan should be made at the exchange rate set by the Bank of Russia as of the date the latest daily balance sheet was compiled in the reporting month, including holidays if the credit institution compiled a daily balance sheet for these days. A credit institution may write down in its internal documents the procedure for readjusting loan provisions due to the aforementioned circumstances as of an intramonth date (intramonth dates).</p> <p>Pursuant to Regulation No. 283-P, risk assessment by the elements of the reserve calculation base is made on a permanent basis:</p> <ul style="list-style-type: none"> in respect of balance sheet assets - as soon as they are recorded in the accounts; in respect of contingent credit obligations - as soon as a credit institution becomes obligated with regard to the corresponding financial instruments; in respect of other losses and non-credit liabilities - as soon as the factors (circumstances) arise to indicate that a credit institution may incur additional costs in future. <p>A credit institution must be able to specify in time a professional judgment. The procedure for specifying a professional judgment that was made earlier should be described in a credit institution's internal documents.</p>	<p>Clauses 3.1.4 and 3.1.5 of Regulation No. 254-P;</p> <p>Clause 1.10 and 1.12 of Regulation No. 283-P;</p> <p>Regulation No. 462-P.</p>

		<p>The amount of the provisions should be confirmed in connection with the change in the credit risk level or in the elements of the calculation base (including one caused by the change of the official Bank of Russia exchange rate of the foreign currency in which the elements of the calculation base are denominated against the ruble) as of the 1st day of the month following the reporting month. A credit institution shall have a right to stipulate in its internal documents the procedure for adjusting provisions due to the aforementioned circumstances as of an intramonth date (intramonth dates). The provisions by the elements of calculation base are adjusted as of an intramonth date (intramonth dates) if in accordance with Clause 9 of Instruction No. 139-I the Bank of Russia (regional division of the Bank of Russia) requires that the calculation of required ratios is presented as of an intramonth date (intramonth dates).</p> <p>On the consolidated level (for banking groups) similar approaches are used.</p>	
5.3	The role of external auditor	<p>The annual accounting (financial) statements of a credit institution, annual consolidated financial statements of a banking group, annual consolidated financial statements of a bank holding company subject to compulsory audit.</p> <p>Consolidated financial statements of a banking group for the first six months of the reporting year shall be subject to audit or inspection carried out by an audit firm, its type and arrangement shall be stipulated by audit standards.</p> <p>Federal Laws “On the Audit Activity” and “On Banks and Banking Activity”, and audit standards stipulate the requirements to the auditor’s report on the annual accounting (financial) statements.</p> <p>The auditor’s report on the reliability of the annual accounting (financial) statements of a credit institution, annual consolidated financial statements of a banking group shall cover the outcome of the following audits held by an audit firm:</p> <ol style="list-style-type: none"> 1) the compliance of a credit institution/banking group with the required ratios established by the Bank of Russia as of the reporting date. Meanwhile, an audit firm shall not assess risk management methods and quantitative risk assessment models a credit institution/parent credit institution of a banking group uses on the basis of the permit issued by the Bank of Russia to calculate the said required ratios; 2) the compliance of internal controls and risk management systems of a credit institution/banking group with Bank of Russia requirements with such systems with regard to risk management division hierarchy, availability in a credit institution of methods for revealing significant risks, managing significant risks and stress-testing, availability of reporting framework on 	<p>Article 5 of Federal Law No. 208-FZ, dated July 27, 2010, “On Consolidated Financial Statements”.</p> <p>Article 42 of the Bank of Russia Law;</p> <p>Articles 5 and 6 of the Federal Law “On the Audit Activity”;</p> <p>Russian Government Resolution No. 696, dated September 23, 2002, “On Approving Federal Rules (Standards) of Audit Activity”.</p>

		significant risks and capital approved by the authorized management of a credit institution; consistency in application of significant risk management methods and their efficiency assessment in a credit institution; control by the board of directors and executive bodies of a credit institution over compliance with marginal risk and capital adequacy values, efficiency and consistency of risk management procedures stipulated in the internal documents of a credit institution.	
5.4	Asset classification	<p>Under Regulation No. 254-P, loans are classified into the following five quality categories:</p> <ul style="list-style-type: none"> - Quality Category 1 (top category) (standard loans); - Quality Category 2 (substandard loans); - Quality Category 3 (doubtful loans); - Quality Category 4 (problem loans); - Quality Category 5 (lowest category) (loss loans). <p>A credit institution shall create provisions for the portfolios of homogeneous loans in accordance with the methodology of risk assessment applied by it for the corresponding portfolios of homogeneous loans. A credit institution classifies its portfolios of homogeneous loans into the following loan quality categories:</p> <ul style="list-style-type: none"> - Quality Category 1 – portfolios of homogeneous loans with zero reserves (no losses on a portfolio of homogeneous loans); - Quality Category 2 – portfolios of homogeneous loans with reserves of no more than 3% of the aggregate book value of loans included in the portfolio; - Quality Category 3 – portfolios of homogeneous loans with reserves of over 3% and up to 20% of the aggregate book value of loans included in the portfolio; - Quality Category 4– portfolios of homogeneous loans with reserves of over 20% and up to 50% of the aggregate book value of loans included in the portfolio; - Quality Category 5 – portfolios of homogeneous loans with reserves of over 50% of the aggregate book value of loans included in the portfolio. 	<p>Clauses 3.1.4 and 3.1.5 of Regulation No. 254-P;</p> <p>Clauses 1.10 and 2.12 of Regulation No. 283-P;</p> <p>Regulation No. 462-P.</p>

The Regulation sets up the specific procedures for creating portfolios of loans extended to households and small and medium-sized businesses, stipulating that such portfolios may be created with regard to the existence and duration of overdue payments and the existence of loan security.

Loans extended to households on the basis of the duration of overdue loan payments are grouped in one of the following portfolios: collateralized loans (mortgage borrowings (hereinafter referred to as mortgage) mortgage loans) meeting the requirements of Sub-clause 2.3.23 of Clause 2.3 of Bank of Russia Instruction 139-I (hereinafter referred to as military mortgage) (military mortgage can be classified in quality category I in compliance with Clause 1.7 of Regulation No. 254-P, borrowings meeting the requirements of code 8806 of the List of Definitions of Codes Used in Calculation of Required Ratios (Appendix 1 to Bank of Russia Instruction No. 139-I) (hereinafter referred to as low risk mortgage), loans to purchase motor vehicles (hereinafter referred to as car loans), other loans and loans to individuals receiving salary and other payments connected with their labor activity on their bank (deposit) accounts with a credit institution (hereinafter referred to as loans to borrowers having accounts with lender bank), the minimum provision for which (except for military mortgage, classified to quality category I, and mortgage specified in table 3.2 of this Clause) is specified in Variant 1 of Table 1 below for loans issued from January 1, 2013, and Variant 1 or Table 2 below for loans issued from January 1, 2014:

- a portfolio of loans without overdue payments;
- a portfolio of loans with payments overdue from 1 calendar day to 30 calendar days;
- a portfolio of loans with payments overdue from 31 to 90 calendar days;
- a portfolio of loans with payments overdue from 91 to 180 calendar days;
- a portfolio of loans with payments overdue from 180 to 360 calendar days.

Credit institutions may aggregate in one portfolio loans without overdue payments and loans with payments overdue from 1 calendar day to 30 calendar days (the minimum provision for loans (other than military mortgage classified in quality category I and mortgage in Table 3 below) issued from January 1, 2013 is determined in Variant 2 in Table 1, for loans issued from January 1, 2014, determined in Variant 2 in Table 2; the minimum reserve for low risk mortgage if a credit institution used its right to classify it in separate portfolio of homogenous loans and for other mortgage portfolio is determined in Variant 2 in

Table 3 of this Clause; the minimum provision for a portfolio of mortgage loans (other than military mortgage classified in quality category I) if a credit institution did not use its right to classify low risk mortgage in separate portfolio is determined in Tables 1 and 2).

Loans extended to individuals, except housing mortgage loans, and amounting up to 1,000,000 rubles and housing mortgage loans of up to 6,000,000 rubles may be included in the portfolios of homogeneous loans even when the financial position of the individual borrower is evaluated as not worse than average. These loans may not be excluded from the portfolio of homogeneous loans even if the individual borrower's financial position has changed for the worse.

Loans extended to small and medium-sized businesses, including businesses whose financial standing is evaluated as average, are aggregated in one of the following secured loan portfolios, depending on the duration of overdue payments on loans that do not exceed 5,000,000 rubles (loans secured by the guarantees indicated in sub-clause 6.3.4 of Regulation No. 254-P or mortgage and car loans, provided that the car is registered and insured) and other loan portfolios:

- the loan portfolio without overdue payments;
- the loan portfolio with payments overdue from 1 to 30 calendar days;
- the loan portfolio with payments overdue from 31 to 90 calendar days;
- the loan portfolio with payments overdue from 91 to 180 calendar days;
- the loan portfolio with payments overdue from 180 to 360 calendar days;
- the loan portfolio with payments overdue more than 360 calendar days.

Loans extended to small and medium-sized businesses that do not exceed 5,000,000 rubles may not be excluded from the portfolios of homogeneous loans even when the financial position of the individual borrower is evaluated as bad.

Under Regulation No. 283-P, the elements of the calculation base are also classified into one of the five quality categories:

Quality category I – a review of the counterparty's activities and/or the market(s) performance has not revealed any real or potential risk of loss, and the counterparty could reasonably be expected to fulfil its obligations in full and on time;

Quality category II – a review of the counterparty's activities and/or the market(s) performance has revealed a moderate potential risk of loss (e.g., the credit institution has learned that the counterparty has defects in management, internal controls or

		<p>other negative aspects and/or unfavorable trends in the counterparty's markets could reasonably be expected);</p> <p>Quality category III – a review of the counterparty's activities and/or the market(s) performance has revealed a serious potential risk or moderate real risk of loss (e.g., a crisis in the market or deterioration of the counterparty's financial situation);</p> <p>Quality category IV – a review of the counterparty's activities and/or the market(s) performance has revealed both a potential risk and a moderate real risk of loss (such as those listed above) or significant real risks of partial losses (such as the counterparty facing difficulties in fulfilling its obligations);</p> <p>Quality category V – there are sufficient reasons to believe that the value of a component of the provision calculation base will be lost completely due to a counterparty's default on obligations.</p> <p>The portfolios of similar claims (contingent credit liabilities) are disaggregated by a credit institution by quality categories established by Clause 1.7 of Regulation No. 254-P.</p> <p>On the consolidated level (for banking groups) similar approaches are used.</p>	
5.5	Classification criteria	<p>The assessment of credit risk for each loan extended (professional judgment) should be made by a credit institution on a permanent basis. A professional judgment is made on the result of a comprehensive and objective analysis of the borrower's performance, including the borrower's financial standing and quality of loan debt service, other important factors and all information the credit institution has on the borrower, including its risks, foreign obligations and the state of the market(s) on which the borrower operates.</p> <p>A credit institution classifies balance sheet assets, contingent credit liabilities, other losses and non-credit contingencies under Regulation No. 283-P on the basis of a professional judgment about the risk level and possible losses of each element of the calculation base.</p>	<p>Section 3 of Regulation No. 254-P;</p> <p>Clause 1.4 of Regulation No. 283-P;</p> <p>Regulation No. 462-P.</p>
5.6	Provisions in percentages	<p>Regulation No. 254-P: standard loans - 0%; substandard loans - 1% to 20%; doubtful loans - 21% to 50%; problem loans - 51% to 100%; loss loans - 100%;</p> <p>The minimum provisions made for the portfolios of homogeneous loans extended to individuals are as follows:</p> <p><i>Table 1</i></p>	<p>Clause 3.11 and 5.1 of Regulation No. 254-P;</p> <p>Clause 1.4.1 of Regulation No. 283-P.</p>

	Portfolios of homogenous loans extended to households	Minimum provision, percent							
		Variant 1				Variant 2			
		Collateralized loan portfolios		Portfolios of loans to borrowers holding accounts with lender bank	Other loan portfolios	Collateralized loan portfolios		Portfolios of loans to borrowers holding accounts with lender bank	Other loan portfolios
		mortgage	car loans			mortgage	car loans		
1.	Loan portfolio without overdue payments	0.35	0.5	1	2	0.75	1.5	3	
2.	Loan portfolio with payments overdue from 1 to 30 calendar days	1.5		3	6				
3.	Loan portfolio with payments overdue from 31 to 90 calendar days	10		20		10	20		
4.	Loan portfolio with payments overdue from 91 to 180 calendar days	35		50		35	50		
5.	Loan portfolio with payments overdue from 181 to 360 calendar days	75							

6.	Loan portfolio with payments overdue more than 360 calendar days	100
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Table 2

	Portfolios of homogenous loans extended to households	Minimum provision, percent							
		Variant 1				Variant 2			
		Collateralized loan portfolios		Portfolios of loans to borrowers holding accounts with lender bank	Other loan portfolios	Collateralized loan portfolios		Portfolios of loans to borrowers holding accounts with lender bank	Other loan portfolios
		mortgage	car loans			mortgage	car loans		
1.	Loan portfolio without overdue payments	0.35	0.5	1	3	0.75	1.5	5	
2.	Loan portfolio with payments overdue from 1 to 30 calendar days	1.5		3	8				
3.	Loan portfolio with payments overdue from 31 to 90 calendar days	10		20		10	20		
4.	Loan portfolio with payments overdue from 91 to 180 calendar days	35		50		35	50		
5.	Loan portfolio with payments overdue from 181 to 360 calendar	75							

	days	
6.	Loan portfolio with payments overdue more than 360 calendar days	100

Table 3

	Portfolios of homogenous loans	Minimum provision, percent			
		Low risk mortgage		Other mortgage	
		Variant 1	Variant 2	Variant 1	Variant 2
1.	Loan portfolio without overdue payments	0.2	0.6	0.5	1
2.	Loan portfolio with payments overdue from 1 to 30 calendar days	1		2	
3.	Loan portfolio with payments overdue from 31 to 90 calendar days	7		15	
4.	Loan portfolio with payments overdue from 91 to 180 calendar days	20		45	
5.	Loan portfolio with payments overdue from 181 to 360 calendar days	60		75	
6.	Loan portfolio with payments overdue from 360 to 720 calendar days	80		100	
7.	Loan portfolio with payments overdue more than 720 calendar days	100			

The minimum provisions made for the portfolios of homogeneous loans extended to small and medium-sized businesses are as

follows:

Table 4

	Portfolios of homogenous loans	Minimum provision, percent	
		Secured loan portfolios	Other loan portfolios
1.	Loan portfolio without overdue payments	0.5	1
2.	Loan portfolio with payments overdue from 1 to 30 days	1.5	3
3.	Loan portfolio with payments overdue from 31 to 90 days	10	20
4.	Loan portfolio with payments overdue from 91 to 180 days	35	50
5.	Loan portfolio with payments overdue from 181 to 360 days	75	
6.	Loan portfolio with payments overdue from 360 to 720 days	100	
7.	Loan portfolio with payments overdue for more than 360 days	100	

Table 4.1

	Portfolios of homogenous loans extended to small and medium-sized businesses	Minimum provision, percent	
		Secured loan portfolios	Other loan portfolios
1.	Loan portfolio without overdue payments	0.5	1

2.	Loan portfolio with payments overdue from 1 to 30 calendar days	1.5	3	
3.	Loan portfolio with payments overdue from 31 to 90 calendar days	10	20	
4.	Loan portfolio with payments overdue from 91 to 180 calendar days	35	50	
5.	Loan portfolio with payments overdue more than 180 calendar days	75		

A credit institution may provide by its internal documents for the creation within the portfolios indicated above of corresponding sub-portfolios of impaired overdue loans extended to small and medium-sized businesses, complying with the minimum provision requirements established by this Clause.

In accordance with Regulation No. 283-P the estimated provisions reflecting a credit institution's losses in relation to each calculation base element without regard for the availability and quality of collateral, shall be calculated in accordance with the following table:

Classification	Amount of estimated provisions as a percentage of the amount of a calculation base element
Quality Category I	0
Quality Category II	1 - 20%
Quality Category III	21 - 50%
Quality Category IV	51 - 100%
Quality Category V	100%

The amount of estimated provision on credit contingencies can be adjusted for the amount of collateral with regard for restrictions established by Clause 3.1.2 of Regulation No. 283-P.

		<p>In accordance with Clause 2.7 of Regulation No. 283-P, the amount of non-core asset provision is defined by the term during which they were recognized on the balance sheet of a credit institution and were not used in banking activity:</p> <ul style="list-style-type: none"> - for assets recognized on the balance sheet from 1 to 2 years – not lower than 10%; - for assets recognized on the balance sheet from 2 to 3 years – not lower than 20%; - for assets recognized on the balance sheet from 3 to 4 years – not lower than 35%; - for assets recognized on the balance sheet from 4 to 5 years – not lower than 50%; - for assets recognized on the balance sheet for more than 5 years – not lower than 75%. <p>A credit institution shall determine the calculation base and the amount of provision for a portfolio of homogenous liabilities (credit contingencies) based on the professional judgement on the adequacy of loss provisions with regard for Appendix 4 to Regulation No. 254-P.</p>	
5.7	Collateral assessment. The Bank of Russia's collateral assessment powers.	<p>In order to assess assets and liabilities of a credit institution, including adequacy of risk provisions, the Bank of Russia examines the pledged object accepted by the credit institution as collateral for a loan, to confirm availability of a pledged object and its examination, determine the legal status of the pledged object and make judgment on the cost of the pledged object based on the federal assessment standards stipulated by Article 20 of Federal Law No. 135-FZ, dated 29 July 1998, "On the Assessment Activity in the Russian Federation". The credit institution creates these provisions in recognition of the outcome of the expertise of the pledged object held by the Bank of Russia.</p> <p>Authorized representatives (officers) of the Bank of Russia are entitled to examine the pledged object accepted by the credit institution as collateral for a loan (except for a residential facilities, garage, indoor parking lot, parking lot, owned by (provided to) an individual, motor cars, motor bikes and motor scooters owned by an individual and not used for business activities, and an agricultural land plot provided to an individual for private housing construction, private subsidiary farming, dachas, gardening, animal breeding or vegetable gardening, as well as buildings, premises and constructions situated on the land plot) in the place of its storage (location) and review the activity of the borrower (a legal entity or an individual entrepreneur) examined by the credit institution, and (or) a pledger (a legal entity or an individual entrepreneur) who is not a borrower of this loan, in an on-site examination under the procedure and in cases established by the Bank of Russia.</p>	Articles 72 and 73 of the Bank of Russia Law

The credit institution shall assist the authorized representatives (officers) of the Bank of Russia in the examination of the pledged object accepted by the credit institution as collateral for a loan in the place of its storage (location) and revision of the activity of the borrower (a legal entity or an individual entrepreneur) examined by the credit institution, and (or) a pledger (a legal entity or an individual entrepreneur) who is not a borrower of this loan, in an on-site examination, and ensure, among other things, at the Bank of Russia's request the attendance of the credit institution's representatives of the examination of the pledged object and revision of the activity of the borrower (a legal entity or an individual entrepreneur) examined by the credit institution, and (or) a pledger (a legal entity or an individual entrepreneur) who is not a borrower of this loan.

Information obtained in the course of the examination of the pledged object and revision of the activity of the borrower (a legal entity or an individual entrepreneur) examined by the credit institution, and (or) a pledger (a legal entity or an individual entrepreneur) who is not a borrower of this loan, shall not be disclosed without consent of the person who provided it, except for the cases stipulated by federal laws and provision of the said information to the credit institution. The Bank of Russia shall be responsible for the disclosure of the said information, including the damage recovery under the procedure stipulated by federal law.

The credit institution is obliged:

to provide in its internal documents for assistance to the authorized representatives (officers) of the Bank of Russia in obtaining documents and information on the pledged object accepted by the credit institution as collateral for a loan, provisions for which are created in compliance with Article 69 of the Bank of Russia Law, and the activity of the borrower (a legal entity or an individual entrepreneur) examined by the credit institution, and (or) a pledger (a legal entity or an individual entrepreneur) who is not a borrower of this loan, required for the examination of such a pledged object in the place of its storage (location) and an on-site revision of the activity of the borrower (a legal entity or an individual entrepreneur) examined by the credit institution, and (or) a pledger (a legal entity or an individual entrepreneur) who is not a borrower of this loan, in conducting the said examination of the pledged object and revision of the activity of the borrower (a legal entity or an individual entrepreneur) examined by the credit institution, and (or) a pledger (a legal entity or an individual entrepreneur) who is not a borrower of this loan;

to stipulate in loan agreements and pledge agreements (except for agreements for a pledge of residential facilities, garage, indoor parking lot, parking lot, owned by (provided to) an individual, motor cars, motor bikes and motor scooters owned by an individual and not used for business activities, and an agricultural land plot provided to an individual for private housing construction, private subsidiary farming, dachas, gardening, animal breeding or vegetable gardening, as well as buildings, premises and constructions situated on the land plot) obligations of the borrower of the examined credit institution and (or) a pledger who is not the borrower of this loan to provide the respective documents (information) to the credit institution and take other actions required for the examination by the authorized representatives (officers) of the Bank of Russia of the pledged object in the place of its storage (location) and the on-site revision of

Article 33 of the Banking
Law

		<p>the activity of the borrower (a legal entity or an individual entrepreneur) examined by the credit institution, and (or) a pledger (a legal entity or an individual entrepreneur) who is not a borrower of this loan.</p> <p>In respect to quality category 2 to 5 loans, provisions are made allowing for quality category 1 and 2 security.</p> <p>Security for a loan signifies security in the form of a collateral, bank guarantee, warranty and guarantee deposit and the Bank of Russia compensation deposit, Deposit Insurance Agency's obligations, insurance agreement of the insurance agency OJSC EXIAR related to one of the two security quality categories established by Regulation No. 254-P.</p> <p>A credit institution indicates in its internal documents the procedure for and periodicity of assessing the liquidity of collateral, the procedure for determining the value of a reserve and loan collateral, the procedure and periodicity of determining the fair value of collateral (that is, the price of collateral at which the pledger, should he be the seller of the property put in collateral, have complete information about the value of the property and be not obliged to sell it, would be prepared to sell it, while the buyer, should he have complete information about this property and be not obliged to acquire it, would be prepared to acquire it within a reasonable period of time not exceeding 180 calendar days). The fair value of collateral related to security quality categories 1 and 2 is determined by a credit institution on a permanent basis or at least once a quarter.</p> <p>It is also stipulated that security cannot be taken into account if:</p> <ul style="list-style-type: none"> - a credit institution is legally unable to exercise the rights that stem from the existence of loan security from the day this need arises and (or) a credit institutions takes no practical action to exercise them; - there appear grounds for recognizing the impossibility of exercising the rights that arise from the existence of loan security without incurring significant losses of the value of security; - procedures prescribed by bankruptcy laws are being applied to the pledger; - the financial position of a person/entity having no long-term credit rating assigned by at least one rating agency no less than B level as per the classification of Standard & Poor's or Fitch Rating's, or B2 as per classification of the Moody's Investors Service agency, as well as national rating agencies, which issued the pledged securities, cannot be assessed as good or average in accordance with clauses 3.3 and 3.4 hereof; - the issuer (bill drawer) of the securities pledged is the borrower or person who may directly or indirectly (through third 	<p>Clauses 2.3, 6.1 and 6.4 of Regulation No. 254-P;</p> <p>Clause 3.1.2 of Regulation No. 283-P.</p>
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persons) exert material influence on the decisions taken by the borrower's management or an entity whose management's decisions may be influenced significantly by a borrower directly or indirectly (through third persons), or an entity whose management's decisions may be influenced by a third person, provided that this third person can influence the decisions taken by the borrower's management, except the case when persons who may exert material influence are categorized as the persons indicated in sub-clauses 6.2.1 and 6.3.1 of Regulation No. 254-P. The term 'material influence' is used as it is defined in Article 4 of the Banking Law;

- the pledge is encumbered by liabilities under other agreements concluded by the pledger, including agreements with third persons, except the cases when the encumbrance of the pledge does not prevent the pledger exercising in time his rights arising from the existence of loan security and does not affect the value of the pledge being sold;

- the financial standing of the third party that provided collateral and being at the same time a borrower under other credit contracts made with the credit institution deteriorates so much that if the creditor exercises the rights, resulting from the availability of the loan collateral, there will be grounds for application of bankruptcy procedures prescribed by law;

- there is no information, specified in appendix 2 hereto, about the borrower for more than a quarter, except for a situation when the borrower provides the collateral in the form of a pawn or a guarantee deposit;

- there is no confirmation (evidence of falsification) that the pledged object is real and/or belongs to the third party being the pledger (as well as due to the absence of the respective assets on the balance sheet of the third party being the pledger, absence of properly executed documents that confirm the third party's (pledger's) ownership rights to the pledged object);

- there are other considerable documents circumstances that can materially prevent a credit institution from exercising the rights arising from loan security. The extent of materiality of the circumstances that prevent the exercise of the rights arising from loan security is determined on the basis of professional judgment.

The shares owned by a creditor credit institution may not be considered as security taken into account when making a provision.

A provision is determined taking into account the amount (value) of security provided by a third person on the condition that:

- there are no circumstances that may cause a credit institution to refuse to exercise the rights that arise from loan security, including subjective circumstances (a conflict of interests between parties to a loan agreement and (or) a loan security

		<p>agreement or a connection (direct or indirect) between a third person and the credit institution);</p> <ul style="list-style-type: none"> - there are reason to believe that the third person who provided loan security (pledger, guarantor or surety) will fulfil the obligations that arise from the security provided and will not obstruct the exercise of rights by the credit institution; - there are no circumstances described above that may be attributed to the third person who provided security. <p>Under Regulation No. 283-P, the reserve for quality category 2 to 5 investments in debt securities issued by corporates and contingent credit liabilities listed in Appendix 2 to Instruction No. 139-I is created taking into account security pursuant to Chapter 6 of Regulation 254-P. Quality Category 2 security may be taken into account in making a reserve for contingent credit liabilities only for unused credit lines, unused overdraft limits and bank guarantees, letters of credit and sureties issued by a credit institution.</p> <p>The funds placed by a payer in a separate account with a credit institution that has issued a letter of credit can be take into account when determining the amount of provision for a letter of credit provided by a credit institution under procedure stipulated by Chapter 6 of Regulation No. 254-P for Quality Category I collateral.</p>	
5.8	Banking supervision powers to correct loan classification	<p>Pursuant to Article 72 of the Bank of Russia Law, the Bank of Russia and its regional branches assess the assets and liabilities of a credit institution and the economic soundness of its equity capital formation.</p> <p>Regulation No. 254-P stipulates that the Bank of Russia and its regional branches and authorized representatives, acting in pursuance of the Bank of Russia Law, assess the assets and liabilities of a credit institution and the soundness of the loan classification and provisioning and make sure that a credit institution has internal documents relating to loan classification and provisioning and that these documents meet the required standards and are observed in good faith. A loan may be classified by the Bank of Russia or its regional branch into a different quality category than the one the loan was classified into by a credit institution according to Table 1 in Regulation No. 254-P if there is information on other material factors indicated in Sub-clauses 3.9.2 and 3.9.3 of Regulation No. 254-P, accounted or unaccounted for by the credit institution, and (or) if the Bank of Russia or its regional branch has not agreed with the credit institution's decision to account or not to account for these factors.</p> <p>The Bank of Russia and its regional branches undertake justified measures to evaluate the quality of information on the borrower and loan collateral used by the credit institution to classify a loan and determine the provision for it and send the</p>	<p>Articles 72, 74 and 75 of the Bank of Russia Law; Section 9 of Regulation No. 254-P; Bank of Russia Instruction No. 59, dated March 31, 1997, "On Using Corrective Measures against Credit Institutions" (hereinafter referred to as Instruction No. 59).</p>

		<p>relevant inquiries to the credit institution. Should the Bank of Russia or its regional branch evaluate under Regulation No. 254-P individual loans (portfolios of similar loans) differently than the credit institution or conclude that the provision made for loans (portfolios of homogeneous loans) is inadequate or excessive, the Bank of Russia, pursuant to Article 72 and 74 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia), requires the credit institution to reclassify the loan and (or) bring the provision into compliance with the Bank of Russia assessment (this requirement is made in writing). Should the credit institution fail to comply with the Bank of Russia requirement, the relevant Bank of Russia regional branch uses enforcement measures against the credit institution under federal laws.</p>	
5.9	In respect to other assets (not loans)	<p>In accordance with Regulation No. 283-P, when conducting supervision, including inspections of credit institutions (their branches), Bank of Russia regional branches evaluate:</p> <ul style="list-style-type: none"> - the correctness of the provision made by a credit institution using a specific calculation base and of accounting for this provision; - the validity of credit institution's decision on writing off unrecovered debt from the balance sheet. <p>Should the Bank of Russia regional branch discover in the process of supervision that elements of the calculation base have been improperly classified or that some elements have not been included in the calculation base, it has the right to take measures stipulated by federal laws, including sending the order to the credit institution to take remedial action and reclassify some elements of the calculation base or include additional elements in it and/or make provision in accordance with the procedure established by Regulation No. 283-P.</p> <p>If the Bank of Russia (its territorial division) determines that a credit institution recognizes elements of the provision calculation base in accounting and reporting without documents certifying the transaction with a counterparty; and/or that a credit institution does not dispose cash funds and/or checks recognized in the accounting, and/or that a received failed to accept (receive) cash funds accounted in the balance account 20209 within three calendar days after the transfer; and/or there are no documents certifying the acceptance (receipt) of cash funds and/or checks by the receiver, the Bank of Russia (its territorial division) demands that a credit institution create a provision in the amount of 100% for these elements of the calculation base. This requirement is documented as an instruction and shall be met by the credit institution not later than the day following the</p>	Section 8 of Regulation No. 283-P.

		day the instruction is received.	
5.10	Provisioning adjusted for market risk	No loss provisions are created for assets recorded at the current (fair) value (except for securities whose current (fair) value cannot be effectively determined).	Clause 1.1 of Regulation No. 283-P.
5.11	Bank's general risk provisions	As Chapter 25 of the Tax Code of the Russian Federation fails to mention general provisions, Regulation No. 254-P does not require credit institutions to make general provisions. However, a credit institution may provide for a possibility to form a special fund from its profits with a purpose to cover possible losses. This fund shall be included in calculation of capital in compliance with the procedure stipulated by Regulation No. 395-P taking account of the fund's purpose.	Article 24 of the Banking Law; Articles 266 and 292 of the Tax Code of the Russian Federation (Part 2).
5.12	Taxation of provisions	Deductions to provisions (funds) from profit before tax are established by federal tax laws. The taxpayer has the right to make provisions for doubtful debts in accordance with the procedure established by Article 266 of the Tax Code of the Russian Federation. Deductions to these provisions are included in expenses on minor activities as of the last date of the accounting (tax) period. This requirement does not apply to expenses involved in making provisions for debts arising from non-payment of interest, excepting banks. Banks can make provisions for doubtful debts arising from non-payment of interest on debt obligations and other debts, excluding loan and similar debts. Deductions to loan loss provisions made according to the procedure established by the Central Bank of the Russian Federation are recognized as expenses, allowing for the restrictions imposed by Article 292 of the Tax Code of the Russian Federation, and reduce the profit tax assessment basis. When determining the assessment basis, banks do not take into account expenses in the form of deductions to loan loss provisions made by banks for standard loans according to the procedure established by the Central Bank of the Russian Federation and also loan loss provisions made for promissory notes, except for the third party promissory notes discounted by banks and protested for non-payment.	Article 24 of the Banking Law; Articles 266 and 292 of the Tax Code of the Russian Federation (Part 2).
5.13	Application on a consolidated basis of the loan loss	Credit institutions, members of banking groups, make loan loss provisions on an individual basis in accordance with the procedure established by the Bank of Russia and non-bank institutions in accordance with the procedure established by federal government regulations.	Article 69 of the Bank of Russia Law; Article 24 of the Banking

	provision requirement	The parent credit institution of a banking group shall classify assets singling out doubtful and unrecoverable debts in its consolidated statements and create provisions (funds) to cover possible losses under procedure established by the Bank of Russia. The federal law also establishes a requirement to create provisions on the consolidated basis: to ensure financial stability the parent credit institution of a banking group shall create provisions, including for impairment of securities, the procedure for creating and using of which is established by the Bank of Russia. The parent credit institution of a banking group shall also communicate the quality of assets and the amount of loss provisions for assets of the banking group to the Bank of Russia on the quarterly basis in reporting form 0409115 “Information on the Quality of Assets of a Credit Institution (Banking Group)” including information on the quality of assets of a banking group and the amount of calculated and created provisions and on portfolios of homogenous loans extended to corporate and households.	Law; Regulation No. 254-P; Regulation No. 283-P; Ordinance No. 1584-U; Ordinance No. 4212-U; Regulation No. 462-P.
6	Liquidity		
6.1	Credit institution’s minimum liquidity requirement	<p>The Bank of Russia has established the following liquidity requirements:</p> <ul style="list-style-type: none"> - an instant liquidity ratio regulates (restricts) the risk of losing liquidity by a bank within one business day and determines the minimum ratio of the bank’s high-quality liquid assets net of the estimated loss provision for these assets in compliance with Bank of Russia Regulation No. 254-P and Bank of Russia Regulation No. 283-P to the bank’s liabilities on demand accounts, adjusted for the minimum aggregate balance of demand accounts of individuals and corporations other than credit institutions, determined according to the procedure established by Clause 3.6 of Instruction No. 139-I; the minimum ratio for banks is 15%; an instant liquidity ratio is not set for non-bank settlement credit institutions and non-bank credit institutions conducting deposit and lending operations; - a current liquidity ratio regulates (restricts) the risk of losing liquidity by a bank within the 30 calendar days nearest to the calculation date and determines the minimum ratio of the sum of the bank’s liquid assets net of the estimated loss provision for these assets in compliance with Bank of Russia Regulation No. 254-P and Bank of Russia Regulation No. 283-P to the bank’s liabilities on demand accounts and accounts with a term of up to 30 days, adjusted for the minimum aggregate balance of demand accounts and accounts due within the nearest 30 calendar days of individuals and corporations other than credit 	Instruction No. 139-I; Clause 3.2. of Instruction No. 129-I; Clauses of 2.1.3 and 2.1.4 of Regulation No. 153-P; Bank of Russia Regulation No. 510-P, dated December 3, 2015, “On the Procedure for Calculating the Liquidity Coverage Ratio (Basel III) of Systemically Important Credit Institutions” (hereinafter

		<p>institutions, determined according to the procedure established by Clause 3.6 of Instruction No. 139-I; the minimum current liquidity ratio for banks is 50%; for non-bank credit institutions conducting deposit and lending operations it is 40%; as for non-bank settlement credit institutions, the N15 ratio, which is basically the same as the current liquidity ratio, is set for them;</p> <ul style="list-style-type: none"> - a long-term liquidity ratio regulates (restricts) the risk of losing liquidity by a bank as a result of investment in long-term assets and determines the highest permissible ratio of the bank's credit claims with the remaining term to redemption of more than 365 or 366 calendar days net of the estimated loss provision for these assets in compliance with Bank of Russia Regulation No. 254-P and Bank of Russia Regulation No. 283-P to the bank's equity capital and liabilities with the remaining term to redemption of more than 365 or 366 calendar days, adjusted for the minimum aggregate balance of accounts due within the period of up to 365 calendar days and demand accounts of individuals and corporations other than credit institutions, determined according to the procedure established by Clause 3.6 of Instruction No. 139-I; the highest permissible ratio for banks and non-bank credit institutions conducting deposit and lending operations is 120%; - the ratio of total liquid assets with terms of the nearest 30 calendar days net of the estimated loss provision for these assets in compliance with Bank of Russia Regulation No. 254-P, dated March 26, 2004, and Bank of Russia Regulation No. 283-P, dated March 20, 2006, to total liabilities of non-bank settlement credit institutions (N15); the minimum permissible ratio is 100%; - the liquidity coverage ratio worked out under the implementation of recommendations envisaged by the documents of the Basel Committee on Banking Supervision (BCBS) "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools (January 2013)" and "Principles for Sound Liquidity Risk Management and Supervision (September 2008)". In 2015, the Bank of Russia issued Regulation No. 510-P, which establishes the method for calculating the liquidity coverage ratio (hereinafter referred to as the LCR) and amends the procedure for calculating the liquidity coverage ratio established by Regulation No. 421-P (amended by Bank of Russia Ordinance No. 3872-U, dated December 1, 2015, "On Amending Bank of Russia Regulation No. 421-P, Dated 30 May 2014, 'On the Procedure for Calculating the Liquidity Coverage Ratio (Basel III)'" in compliance with which the LCR is 	<p>referred to as Regulation No. 510-P);</p> <p>Bank of Russia Regulation No. 421-P, dated May 30, 2014, "On Calculating Liquidity Coverage Ratio (Basel III)" (hereinafter referred to as Regulation No. 421-P);</p> <p>Regulation No. 509-P.</p>
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calculated.

The LCR shall be calculated as a ratio of the sum of high-quality liquid assets reduced by the adjustment amount of high-quality liquid assets, irrevocable credit line (lines) limit (limits) the Bank of Russia opened for the systemically important credit institution and its major subsidiary credit institutions, and additional high-quality liquid assets denominated in certain foreign currencies wherever they exceed the net expected cash outflow in the same currency, to the amount of net expected cash outflow on operations in the next 30 calendar days after the LCR calculation day.

The LCR shall be applied as a prudential ratio from January 1, 2016 with regard to systemically important credit institutions recognised by the Bank of Russia in compliance with Bank of Russia Ordinance No. 3737-U, dated July 22, 2015, “On the Methodology for Determining Systemically Important Credit Institutions”. Requirements for the LCR compliance shall be applied on consolidated basis (N26) to systemically important credit institutions, which are parent credit institutions of banking groups, and on standalone basis (N27) to other systemically important credit institutions.

From January 1, 2016, the maximum value is established at 70% and subject to annual increase by 10 percentage points from January 1, 2017 to reach 100% from January 1, 2019.

Regulation No. 510-P provides for the possibility to include additional elements of high-quality liquid assets, i.e. irrevocable credit lines opened by the Bank of Russia, and high-quality liquid assets in certain foreign currencies wherever they exceed the demand for that currency, in the calculation of the LCR numerator.

In compliance with Regulation No. 510-P, it is acceptable to use high-quality liquid assets to cover cash outflows which result in the LCR decrease below the minimum numerical value from December 31, 2015, when the Bank of Russia established the value of the countercyclical capital charge at 0% until the Bank of Russia communicates the establishment of the value of the countercyclical capital charge above 0%.

6.2	Central Bank provisioning requirements	<p>The amount of reserve requirements (required reserve ratio, required reserve averaging ratio) and the procedure for credit institutions to meet the reserve requirements, including the procedure for depositing required reserves with the Bank of Russia, shall be set by the Board of Directors.</p> <p>Required reserve ratios determine the amount of required reserves as percentage of a credit institution's liabilities.</p> <p>Required reserve ratios cannot exceed 20% of a credit institution's liabilities and can be differentiated for banks and non-bank credit institutions.</p> <p>A credit institution shall meet reserve requirements in accordance with the procedure stipulated by the Bank of Russia in compliance with the Federal Law "On the Central Bank of the Russian Federation (Bank of Russia)".</p> <p>A credit institution shall have a required reserve account (accounts) with the Bank of Russia. The procedure for opening this account (these accounts) and implementing the related transactions is established by the Bank of Russia.</p>	<p>Articles 35 and 38 of the Bank of Russia Law;</p> <p>Article 25 of the Banking Law.</p>
6.3	Lender of last resort	<p>The Bank of Russia is the lender of last resort for credit institutions.</p>	<p>Articles 4 and 46 of the Bank of Russia Law;</p> <p>Bank of Russia Regulation No. 236-P, dated August 4, 2003, "On the Procedure for Granting by the Bank of Russia Loans to Credit Institutions against the Collateral (Blocking) of Securities";</p> <p>Bank of Russia Regulation No. 122-P, dated October 3, 2000, "On the Procedure for Granting by the Bank of</p>

			Russia Loans to Banks against a Collateral and Warranties”.
6.3.1	Size of credit	Should a credit institution fall short of money to lend to clients and fulfil its obligations, it may ask the Bank of Russia for credit, which the latter extends on its own terms and conditions.	Article 28 of the Banking Law.
6.3.2	Collateral	<p>The Bank of Russia may extend loans against the collateral of securities and other assets.</p> <p>The Bank of Russia may extend uncollateralised loans to Russian credit institutions with a rating no lower than the established one for a term of up to 1 year.</p> <p>Pursuant to the Board of Directors’ decision, the Bank of Russia shall have a right to extend subordinated loans (deposits, loans, bond loans) to the open joint-stock company Sberbank of Russia meeting the requirements of Article 25.1 of the Federal Law “On Banks and Banking Activity” the amount of which shall not exceed the amount of Sberbank’s capital as of January 1, 2015, the interest rate for which is determined in compliance with Clause 5 of Paragraph 1 of Article 3 of the Federal Law “On the Insurance of Household Deposits with Russian Banks” and Article 46 of the Bank of Russia Law.</p>	Article 46 of the Bank of Russia Law.
6.3.3	Interest rate	A major instrument of the Bank of Russia monetary policy is the interest rates on Bank of Russia operations. The Bank of Russia may set one or several interest rates on different kinds of operations or pursue an interest rate policy without setting a fixed interest rate.	Articles 35 and 37 of the Bank of Russia Law.
7	Risk diversification		
7.1	Risk concentration limits as a percentage of regulatory capital	<p>Maximum large credit risk regulates (restricts) a bank’s aggregate large credit risk and determines the maximum ratio of aggregate large credit risk to the equity capital of a credit institution (banking group).</p> <p>Large credit risk is the sum of loans, guarantees and warranties in favor of one client, exceeding 5% of the equity capital of a credit institution (banking group).</p>	<p>Article 65 of the Bank of Russia Law;</p> <p>Section 5 of Instruction No. 139-I;</p>

		<p>The maximum value of large credit risk may not exceed 800% of the equity capital of a credit institution (banking group).</p> <p>The credit institution (subsidiary credit institution) shall establish limits for all divisions whose functions are connected with risk assumption.</p> <p>Limits of risks, for which capital requirements are determined, shall be based on the capital requirement with regard to these risks.</p> <p>For risks, with regard to which no capital requirements are determined, structural limits or limits on the volume of operations (deals) shall be established.</p>	Ordinance No. 3624-U.
7.2	Application on a consolidated basis of the risk concentration limit (as a percentage of regulatory capital)	<p>Required ratios restricting credit risks on the consolidated basis established by the Bank of Russia are as follows:</p> <ul style="list-style-type: none"> - the maximum risk per borrower or a group of related borrowers (N21). The value of the total credit claims of the parent credit institution of a banking group and banking group participants (except for non-consolidated participants of a banking group) to a borrower or a group of related borrowers cannot exceed 25% of capital of the banking group; - the maximum value of large credit risks of a banking group (N22). The value of large credit risks cannot exceed 800% of capital of the banking group. <p>The parent credit institution of a banking group shall calculate the said ratios quarterly.</p>	Article 62, of the Bank of Russia Law; Regulation No. 509-P.
7.3	Determining possible losses incidental to:	See Clauses 7.3.1-7.3.3.	
7.3.1	A borrower	Maximum risk per borrower or a group of related borrowers, dependent on one another or parent and subsidiary to one another, is established as a percentage of the equity capital of a credit institution (banking group) and may not exceed 25% of the equity capital of a credit institution (banking group) and non-bank credit institution conducting deposit and lending operations and may not exceed 10% of the equity capital of a non-bank settlement credit institution.	Article 64 of the Bank of Russia Law; Section 4 of Instruction No. 139-I; Clause 3.8 of Instruction No. 129-I; Clause 2.1.5 of Regulation

			No. 153-P.
7.3.2	A group of related borrowers	<p>A group of related borrowers is dependent on one another or parent and subsidiary to one another under Article 64 of the Bank of Russia Law. A dependent, subsidiary and the parent company are defined in accordance with Article 67.3 of the Civil Code of the Russian Federation, Article 6 of the Federal Law ‘On Joint-Stock Companies’, Article 6 of the Federal Law ‘On Limited Liability Companies’.</p> <p>In other cases, borrowers are included in the group of related borrowers if one of them can determine the decisions taken by the management bodies of a legal entity, the conditions of entrepreneurial activities due to his share in authorized capital and (or) in accordance with an agreement concluded by the entities, to appoint a sole executive body and (or) more than half of the collegiate executive body of the legal entity, as well as to determine the election of more than half of its board of directors (supervisory board), and if the third party irrespective of the fact whether it is a separate borrower or not has this opportunity.</p> <p>Maximum risk per group of related borrowers which are dependent on one another or are parent and subsidiary to one another is established as a percentage of the equity capital of a credit institution (banking group) and may not exceed 25% of the equity capital of a credit institution (banking group).</p> <p>When determining the risk level, the sum total of the loans extended by a credit institution to the particular borrower or group of related borrowers and the guarantees and warranties provided by the credit institution to the borrower or group of related borrowers and other credit claims and contingent credit liabilities involving credit risk have to be taken into account.</p> <p>Maximum risk per borrower or a group of related borrowers is not calculated in regard to the credit institutions that are members of the banking group of which the creditor bank is a member.</p>	<p>Article 64 of the Bank of Russia Law;</p> <p>Section 4 of Instruction No. 139-I;</p> <p>Clause 3.8 of Instruction No. 129-I;</p> <p>Clause 2.1.5 of Regulation No. 153-P;</p> <p>Bank of Russia Letter No. 106-T.</p>
7.3.3	Additional possible losses	<p>Bank of Russia Ordinance No. 2732-U, dated November 17, 2011, “On the Specifics of Creating Loan Loss Provisions for Transactions with Securities the Rights for Which are Certified by Depositories by Credit Institutions” establishes requirements to creating provisions for credit institutions’ investments in securities the rights for which are certified by depositories, which do not meet the criteria envisaged by Clause 1.2 of Ordinance No. 2732-U.</p>	<p>Article 70 of the Bank of Russia Law;</p> <p>Bank of Russia Ordinance No. 2732-U, dated November 17, 2011, “On</p>

			the Specifics of Creating Loan Loss Provisions for Transactions with Securities the Rights for Which are Certified by Depositories by Credit Institutions”
7.4	Loss limits by sector	None.	
8	Lending to related borrowers and insiders		
8.1	Limits on credit to:		
8.1.1	Shareholders	<p>The maximum amount of loans, bank guarantees and warranties granted by a bank to its members (shareholders) regulates (restricts) credit risk in respect to the bank’s members (shareholders) and determines the maximum ratio of the amount of loans, bank guarantees and warranties granted by a bank to its members (shareholders) to the bank’s equity capital. This ratio may not exceed 50% of a credit institution’s equity capital for banks and it may not exceed 100% of a credit institution’s equity capital for non-bank credit institutions conducting deposit and lending operations. This ratio is not set for non-bank settlement credit institutions.</p> <p>Claims on related persons are included in the capital adequacy ratio (N1/N20) (net of the loan loss provision), risk weighted and multiplied by 1.3.</p> <p>Claims on related persons of the banking group not included in the prudential consolidation framework shall be included in the calculation of N21 ratio.</p> <p>The maximum risk ratio on a person affiliated with a credit institution (group of persons affiliated with a credit institution)</p>	<p>Articles 64.1 and 71 of the Bank of Russia Law; Section 6 of Instruction No. 139-I; Clause 2.1 of Instruction No. 129-I; Clause 2.1.7 of Regulation No. 153-P; Regulation No. 509-P; Bank of Russia Ordinance No. 4203-U, dated</p>

(N25) shall not exceed 20% of the equity capital of the credit institution and regulates (limits) the bank's credit risk with regard to the affiliated person (group of affiliated persons). Persons affiliated with a credit institution shall be determined in compliance with Article 64.1 of the Bank of Russia Law.

The Bank of Russia also determined signs of a person's (persons') possible affiliation with a credit institution for the Bank of Russia Banking Supervision Committee to make the decision on recognizing a person as affiliated with a credit institution (member of the group of persons affiliated with a credit institution), based on the reasonable judgment, to determine maximum risk on a person affiliated with a credit institution (group of persons affiliated with a credit institution).

The Bank of Russia also determined the procedure for the Banking Supervision Committee to make the decision on recognizing a person as affiliated with a credit institution (member of the group of persons affiliated with a credit institution), based on the reasonable judgment, to forward requirements to a credit institution and consider applications of a credit institution.

See also Clause 8.2.1.

November 17, 2016, "On Signs of the Person's (Persons') Possible Affiliation with a Credit Institution" (hereinafter referred to as Ordinance No. 4203-U);
Bank of Russia Ordinance No. 4205-U, dated November 17, 2016, "On the Procedure for the Bank of Russia Banking Supervision Committee to Make the Decision on Recognizing a Person as Affiliated with a Credit Institution (Member of the Group of Persons Affiliated with a Credit Institution), Based on the Reasonable Judgment, to Forward Requirements to a Credit Institution and Consider Applications of a Credit

			Institution” (hereinafter referred to as Ordinance No. 4205-U).
8.1.2	Chief executives	<p>Bank insider aggregate risk ratio regulates (restricts) a bank’s aggregate credit risk in respect to all insiders, that is, individuals capable of influencing the bank’s credit decision. This ratio may not exceed 3% of a credit institution’s equity capital for banks and non-bank credit institutions conducting deposit and lending operations. The maximum aggregate insider risk level for non-bank credit settlement institutions is set at 0%.</p> <p>The insider category includes:</p> <p>the affiliated parties of a legal entity in accordance with Article 4 of RSFSR Law No. 948-1, dated March 22, 1991, “On Competition and Restriction of Monopolistic Activities on Commodity Markets”;</p> <p>members of the credit board (committee) of a bank;</p> <p>the chief accountant of a bank or a branch (a person who acts for her/him);</p> <p>an executive of the bank’s branch (a person who acts for her/him);</p> <p>other employees of a credit institution able to determine decisions on the issue of loans by the bank by virtue of their official status. Criteria of referring the credit institution’s employees to persons able to influence decision-making in respect to the extension of credit by the bank shall be specified by its internal documents;</p> <p>close family members of the persons listed in paragraphs 3-7.</p> <p>See also Clauses 8.1.1 and 8.2.1.</p>	<p>Article 62 of the Bank of Russia Law;</p> <p>Instruction No. 139-I;</p> <p>Clause 3.6 of Instruction No. 129-I;</p> <p>Clause 2.1.9 of Regulation No. 153-P;</p> <p>Ordinance No. 4203-U;</p> <p>Ordinance No. 4205-U.</p>
8.1.3	Members of the board of directors and related persons	See Clauses 8.1.1, 8.1.2 and 8.2.1.	<p>Article 62 and 64.1 of the Bank of Russia Law;</p> <p>Section 7 of Instruction No. 139-I;</p> <p>Instruction No. 129-I;</p>

			Regulation No. 153-P; Ordinance No. 4203-U; Ordinance No. 4205-U.
8.2	Terms and conditions of extending loans to:		
8.2.1	Shareholders and chief executives	<p>A credit institution should adopt internal documents establishing the procedure for lending to related persons.</p> <p>Although these terms and conditions are not specified by supervisory authorities, the Bank of Russia recommends credit institutions to stipulate in their internal documents:</p> <ol style="list-style-type: none"> 1. The establishment in relative and absolute terms of credit limits for related persons (aggregate credit limits, credit limits by category of borrower and credit limits for individual borrowers), within which a credit institution can conduct operations without asking for special permission from the board of directors (supervisory board) or a bank's general meeting of shareholders (members). The size of credit limits for related individual borrowers should be considerably lower than large credit risk at 5% of a bank's equity capital. The optimal credit limit should not exceed 3% of a bank's equity capital. 2. The need for the board of directors (supervisory board) or a general meeting of shareholders (members) of a credit institution to examine the projected risk-bearing transactions with related persons, if these transactions exceed the credit limit set by the credit institution on lending to related persons and if the terms and conditions of lending and other factors endanger in any way the bank's financial soundness. 3. The need for the board of directors (supervisory board) or a general meeting of shareholders (members) of a bank to examine the projected risk-bearing transactions, in which related persons have an interest, regardless of the value of such transactions. 4. The inadmissibility of extending loans (assuming contingent credit liabilities) to related persons on more favorable terms (in respect to the terms of payment, interest rate, premium size, security requirements, etc.) than to unrelated persons. 5. The inadmissibility of making the decisions on extending loans to insiders and persons affiliated with insiders with the participation of the insiders who have an interest in these decisions. 	Clause 3.8 of and Annex 2 to Regulation No. 242-P; Clauses 3.6, 3.13.5, 8.5 and 8.7.2 of Regulation No. 254-P.

		<p>6. The procedure for control over the assessment of credit risk involved in tied lending and the observance of this procedure.</p> <p>When exercising its internal controls, a credit institution makes certain that loans are properly assessed and provisions are made, especially when loans are extended to related persons and their value accounts for 1% and more of the credit institution's equity capital.</p> <p>In addition, Regulation No. 254-P stipulates that loans extended to related persons (see Clause 8.1.2) may not be put into a higher category than Quality Category 3 if there is no information on the financial position of the borrower for more than three months.</p> <p>If the unrecoverable debt on a loan or loans extended to a shareholder or shareholders (member or members) of a credit institution and (or) affiliated persons exceeds 1% of the credit institution's equity capital, the decision by the credit institution to write it off must be confirmed by the statements of law enforcement officers or other persons with the same powers, the statements of the state registration agencies and other statements confirming the impossibility of recovering the debt.</p>	
8.2.2	Members of the board of directors and related persons	Under Regulation No. 254-P, loans extended to related persons may not be classified into a higher category than Quality Category 3, if there is no information on the financial position of the borrower for more than three months.	Clause 3.8 of and Annex 2 to Regulation No. 242-P; Clauses 3.6, 3.13.5 and 8.7.2 of Regulation No. 254-P.
8.3	Procedure for granting permission for and controlling the extension of loans to related borrowers and insiders	A credit institution should adopt internal documents establishing the procedure for extending loans to related persons. To maintain banking sector stability and protect the interests of depositors and creditors, the Bank of Russia recommends credit institutions to pay particular attention to risks involved in extending loans to related persons.	Clause 3.8 of and Annex 2 to Regulation No. 242-P.
8.4	Supervisory measures	The Bank of Russia uses a variety of measures (fines, restrictions (bans) on individual banking operations, etc.) against credit	Articles 74 and 75 of the

	directed against unsanctioned lending to related borrowers and insiders	institutions for infractions of applicable legislation and non-compliance with prudential standards restricting risk assumed by banks when conducting banking operations, including lending to related borrowers and insiders. See also 8.1.1.	Bank of Russia Law; Articles 19, 20 and 23.1 of the Banking Law; Instruction No. 59. Articles 62 and 64.1 of the Bank of Russia Law; Instruction No. 139-I; Ordinance No. 4203-U; Ordinance No. 4205-U.
9	Country and transfer risk		
9.1	Requirements to monitor country and transfer risk and provisioning	The requirements to monitor on a continuous basis banking risk management and assessment, set in Regulation No. 242-P, include the requirement to monitor country and transfer risk. The internal documents of a credit institution should establish the procedure for keeping the corresponding chief executives informed on risk-enhancing factors. Country risk is also regulated by Bank of Russia Ordinance No. 1584-U, which assesses country risk from operations of Russian credit institutions with offshore zones residents on a permanent basis. Ordinance No. 1584-U sets different provisioning requirements for operations with different groups of offshore zones. Offshore zones are grouped in accordance with Bank of Russia Ordinance No. 1317-U, dated August 7, 2003, “On the Procedure for Establishing of Correspondent Relations by Authorized Banks with Non-resident Banks Registered in the Countries and Territories Granting Tax Benefits and (or) not Requiring the Disclosure or Passing of Information on Financial Operations (Offshore Zones)”. No provisions are made for operations with residents of Group 1 offshore zones; provisions for operations with residents of Group 2 and Group 3 offshore zones are made, respectively, at 25% and 50% of the balances of the corresponding accounts or the imputed average daily debit account turnover during the past 30 calendar days.	Instruction No. 139-I; Clauses 3.1, 3.3.1 and 3.3.2 of Regulation No. 242-P; Bank of Russia Ordinance No. 1584-U, dated June 22, 2005, “On Loan Loss Provisioning and the Size of Loan Loss Provisions for Credit Institution Operations with Offshore Zone Residents” (hereinafter referred to as

		<p>The credit institution (parent credit institution of the banking group) shall work out a methodology for non-financial risk to ensure their assessment through qualitative methods based on professional judgment, which results from the analysis of risk factors.</p> <p>Under the ICAAP, the credit institution (parent credit institution of the banking group) shall:</p> <p>reveal risks inherent to the activity of the credit institution (banking group, banking group participants);</p> <p>reveal potential risks, the credit institution (banking group, banking group participants) can be exposed to;</p> <p>distinguish considerable risks of the credit institution (banking group, banking group participants);</p> <p>assess considerable risks of the credit institution (banking group, banking group participants);</p> <p>aggregate quantitative assessments of considerable risks of the credit institution (banking group, banking group participants) to determine cumulative risk accepted by the credit institution (banking group);</p> <p>monitor the volume of considerable risks of the credit institution (banking group, banking group participants);</p> <p>ensure compliance with the required ratios and open currency position of the credit institution (banking group, subsidiary credit institution) established by the Bank of Russia, and centralized control over the cumulative (aggregate) risk accepted by the credit institution (banking group, banking group participant).</p>	<p>Ordinance No. 1584-U);</p> <p>Bank of Russia Ordinance No. 1317-U, dated August 7, 2003, “On the Procedure for Establishing of Correspondent Relations by Authorized Banks with Non-resident Banks Registered in the Countries and Territories Granting Tax Benefits and (or) not Requiring the Disclosure or Passing of Information on Financial Operations (Offshore Zones)”;</p> <p>Ordinance No. 3624-U.</p>
9.2	Definition of country and transfer risk	<p>Country risk, including transfer risk, is the risk of losses incurred by a credit institution as a result of the non-fulfilment of obligations by foreign counterparties (legal entities and individuals) due to economic, political and social changes or because the currency of the pecuniary obligation is inaccessible to the counterparty due to the specifics of national legislation (regardless of the financial standing of the counterparty).</p> <p>The credit institution (parent credit institution of the banking group) shall establish the methodology for determining considerable risks of the credit institution (banking group, banking group participants), which should be based on the system of indicators indicative of the volumes of operations (deals) in certain business lines (e.g., considerable volume of international transactions of the credit institution (banking group participants) may give occasion to recognizing as considerable the risk of</p>	<p>Bank of Russia Letter No. 70-T, dated June 23, 2004, “On Typical Bank Risks”;</p> <p>Ordinance No. 3624-U.</p>

		losses in the credit institution resulting from the foreign counterparties' (legal entities and individuals) failure to meet their obligations, restriction of the credit institution's activity abroad following the economic, political, and social developments, as well as following the unavailability of liability currency to the counterparty due to the specifics of the national law (irrespective of the counterparty's financial standing) (country risk)).	
9.3	Supervisory authority right to priority decision	Under the Bank of Russia Law, the supervisory authority has the right to evaluate the assets and liabilities of a credit institution for the purpose of determining the size of its equity capital, taking into account country and transfer risk, using the methodologies established by Bank of Russia regulations (see also Clauses 2.2.1, 2.2.3, 3.2-3.2.2 and 5.8). The Bank of Russia is entitled to establish differentiated ratios and methods for their calculation for different types of credit institutions and in other cases stipulated by the Bank of Russia Law.	Article 72 of the Bank of Russia Law.
9.4	The use on a consolidated basis of the following requirements: - constant control of country risk; - risk provisioning; - limiting transfer risk	Under Bank of Russia regulations, credit institutions make loan loss provisions on an individual and consolidated basis on balance sheet assets, contingent credit liabilities, other losses and contingent non-credit liabilities due to the risks carried by these instruments, including country risk (loan loss provisioning requirements are dealt with in Clause 5). Bank of Russia Ordinance No. 1584-U 'On Loan Loss Provisioning and the Size of Loan Loss Provisions for Credit Institution Operations with Offshore Zone Residents' (hereinafter referred to as Ordinance No. 1584-U), which provides guidance for the evaluation of the country risk involved in operations conducted by Russian credit institutions with residents of offshore zones, makes provisioning contingent upon the group in which the offshore zone is included. Parent credit institutions of banking groups with participation of non-residents shall assess the results of application of approaches of foreign supervision authorities responsible for banking supervision. Reporting data of subsidiary credit institutions of the parent credit institution of a banking group incorporated as legal entities on the territories of Organization for Economic Cooperation and Development and/or European Union member states which made a transition to the single currency of the European Union, classified by the World Bank as high income countries, and countries with country rating 1 are included in the calculation of capital, required ratios and values (limits) of open foreign currency positions of a banking group in the amount determined in compliance with prudential regulation rules established by supervisory authorities of these countries.	Article 69 of the Bank of Russia Law; Article 24 of the Banking Law; Regulation No. 283-P; Regulation No. 462-P; Ordinance No. 1584-U; Regulation No. 254-P; Ordinance No. 3089-U; Regulation No. 509-P; Ordinance No. 3624-U.

		<p>Reporting data of subsidiary credit institutions incorporated as legal entities on the territories of countries with country ratings 2 to 7, and unregulated subsidiaries (organisations whose activity is not regulated by the authorised agencies of countries where they are incorporated as legal entities) is included in the calculation of capital, required ratios, and values of open foreign currency positions of a banking group in the amount determined in compliance with Bank of Russia requirements.</p> <p>At the same time, with regard to the same counterparties of subsidiary credit institutions of the parent credit institution of a banking group incorporated in different countries, parent credit institutions of banking groups shall apply the most conservative approach applied in these states and the Russian Federation to calculate required ratios and values (limits) of open foreign currency positions, i.e. the approach envisaging higher requirements to the value of capital, required ratios and values (limits) of open foreign currency positions with regard to these counterparties.</p> <p>The procedure for this estimation shall be established by internal documents of a banking group worked out by the parent credit institution of a banking group.</p> <p>In its turn, the Bank of Russia shall assess the approaches to the calculation of the value of capital, required ratios and values of open foreign currency positions, as well as the adequacy of a banking group's risk assessment with regard to non-resident participants of a banking group applied by the parent credit institution of a banking group in the framework of the supervision over the activity of a banking group.</p> <p>See Clause 9.1 hereof.</p>	
10	Market risk		
10.1	Definition of market risk	<p>Market risk is the risk of financial losses incurred by a credit institution due to the change in the fair value of financial instruments (securities of the trade portfolio, financial derivatives, etc.) and goods, the exchange rates of foreign currencies and (or) the discount prices of precious metals.</p>	<p>Preamble to and Clause 1.1 of Bank of Russia Regulation No. 511-P, dated December 3, 2015, "On the Procedure for Calculating Market Risk by</p>

			Credit Institutions” (hereinafter referred to as Regulation No. 511-P).
10.2	Market risk assessment and monitoring requirement	<p>In compliance with Ordinance No. 3624-U procedures for managing market risk shall include:</p> <ul style="list-style-type: none"> a definition of trade portfolio structure; methods for evaluating market risk and determining capital requirements with regards to the market risk; methodology for determining value of trade portfolio instruments; a system of limits and a procedure for limit setting. <p>Procedures for managing market risk of a subsidiary shall be worked out on the basis of procedures for managing market risk at the banking group level and agreed on with the parent credit institution of the banking group in writing.</p>	<p>Ordinance No. 3624-U;</p> <p>Bank of Russia Letter No. 96-T, dated June 29, 2011, “On Methodological Recommendations on Organization of Internal Capital Adequacy Assessment Procedures by Credit Institutions” (hereinafter referred to as Letter No. 96-T);</p> <p>Regulation No. 511-P.</p>
10.3	Capital adequacy against market risk	<p>The Bank of Russia develops the methodologies for determining the size of equity capital, assets, liabilities and market and other risks on assets for each ratio set with the objective of ensuring a credit institution’s soundness.</p> <p>The Bank of Russia has established the procedure for how a credit institution (banking group) calculates market risk (interest, stock market, currency and commodity risk) in regard to the financial instruments that have a fair value (securities of the trade portfolio, financial derivatives, etc.), financial instruments denominated in a foreign currency and (or) gold, and commodities traded in the organized market, including precious metals (other than gold), for the purpose of including it in the equity capital calculation.</p>	<p>Articles 62 and 72 of the Bank of Russia Law;</p> <p>Regulation No. 511-P;</p> <p>Clause 2.1 of Instruction No. 139-I;</p> <p>Regulation No. 509-P.</p>
10.4	Using by credit	The internal models of market risk assessment are not used for ratio calculation. The internal models for market risk assessment	Ordinance No. 3624-U;

	institutions internal systems for market risk assessment	can be used under implementation of internal procedures for capital adequacy assessment (ICAAP). In the credit institution applies market risk assessment methods other than those established by Bank of Russia Regulation No. 511-P, dated December 3, 2015, "On the Procedure for Calculating the Market Risk Value by Credit Institutions", including those based on quantitative assessment models worked out by the credit institution on the basis of specific scenarios of risk component behavior determined through statistical and historical data on risk factor movements (market exchange rates, prices, which affect the value of the credit institution's trading positions) or predictions of such movements made through mathematical models, the applied methods shall conform with the requirements to such methods in the international practice.	Letter No. 96-T.
10.5	Standardized calculation method requirement	Credit institutions are required to use a standardized method of calculating market risk.	Regulation No. 511-P.
10.6	Open currency position	The Bank of Russia regulates the currency risk assumed by credit institutions (banking groups) by setting open currency position limits on foreign currencies and precious metals, including ruble positions, which depend on changes in foreign exchange rates or accounting prices for precious metals (as of the end of each business day) at 10% of equity capital for individual foreign currencies and precious metals and 20% of equity capital for the aggregate value of all open currency positions. The total value of open currency positions in certain foreign currencies and gold shall be included in the calculation of market risk to cover the currency risk with capital. Meanwhile, positions in precious metals (other than gold) are included in calculation of market risk as part of commodity risk.	Bank of Russia Instruction No. 124-I, dated July 15, 2005, "On Setting Open Currency Position Limits, Methods of Their Calculation and Monitoring their Observance by Credit Institutions" Clause 1.9 of Regulation No. 511-P; Regulation No. 509-P.
11	Consolidation		
11.1	Powers to inspect	The Bank of Russia conducts inspections of credit institutions, including parent credit institutions or members of banking	Article 73 of the Bank of

	consolidated legal entities, holding companies and subsidiaries	groups (bank holding companies), and branches of credit institutions. The Bank of Russia shall have the right to inspect the activity of credit institutions included in banking groups and bank holding companies situated on the territories of foreign states.	Russia Law; Bank of Russia Instruction No. 105-I, dated August 25, 2003, “On the Procedure for Conducting Inspections of Credit Institutions and their Branches by Authorized Representatives of the Central Bank of the Russian Federation” (hereinafter referred to as Instruction No. 105-I).
11.2	Powers to require regular prudential and statistical reporting	The Bank of Russia sets compulsory rules for credit institutions on conducting banking operations, accounting and reporting, rules on compiling and presenting accounting (financial) and statistical reports, and providing other information stipulated by federal laws. The Bank of Russia sets compulsory rules for banking groups on compiling reports necessary for banking supervision on a consolidated basis, presenting to the Bank of Russia and disclosure of banking group statements stipulated by the Banking Law. The Bank of Russia sets compulsory rules for bank holding companies on compiling and presenting information necessary for assessing their risks and supervision of banks that are members of a bank holding company, presenting to the Bank of Russia and disclosure of bank holding company statements stipulated by the Banking Law. These Bank of Russia rules apply to accounting (financial), statistical and other reports, which are compiled for a period starting no earlier than a date of publication of these rules.	Article 57 of the Bank of Russia Law; Article 43 of the Banking Law; Federal Law No. 208-FZ, dated July 27, 2010, “On Consolidated Financial Statements”.
12	Risk management		

12.1	The requirement to have a risk management procedure in writing	<p>A credit institution should draw up internal documents on managing banking risks.</p> <p>Ordinance No. 3624-U obliges a credit institution (parent credit institution of a banking group) to establish a system of risk and capital management which corresponds to the nature and scale of operations, level and combination of accepted risks, and determines the requirements to documents worked out by a credit institution (parent credit institution of a banking group) under ICAAP.</p> <p>Regulation No. 510-P establishes principles of liquidity risk management in systemically important credit institutions, including the requirement of the Bank of Russia to the management of the parent credit institution of the banking group (credit institution) to work out a strategy, liquidity risk management policy and a procedure for their implementation for the purpose of managing liquidity risk consistent with the established level of risk appetite and maintaining the required level of liquidity. The credit institution shall control the functioning of the banking risk management system on the regular basis under procedure established by the internal documents.</p>	<p>Article 24 of the Law of Banks;</p> <p>Ordinance No. 3624-U;</p> <p>Regulation No. 510-P (Appendix 1);</p> <p>Letter No. 96-T.</p>
12.2	Supervision structure	<p>A general meeting of founders (members) of a credit institution approves an external auditor and elects in accordance with its statute an auditing committee to control its financial and economic activities. Credit institutions operating as limited liability companies and with more than 15 members must form an auditing committee or elect an internal auditor.</p> <p>A credit institution should organize an internal control service to exercise internal audit and assist management bodies in ensuring the effective functioning of the credit institution. One duty of the internal audit is to monitor the efficiency of methodologies for assessing banking risks and risk management procedures envisaged by internal documents of a credit institution (methodologies, programs, rules and procedures for conducting banking operations and transactions and managing banking risks) and the implementation of these documents.</p> <p>The internal audit service also checks the effectiveness of the measures taken by divisions and management bodies on the results of inspections, ensuring the reduction of the risks detected, or records the adoption of the decision by the management of the division and (or) management bodies of the credit institution to the effect that the level and combination of risks detected are acceptable to the credit institution.</p> <p>Should the head of the internal audit service decide that the management of the division and (or) management bodies of the</p>	<p>Federal Law No. 208-FZ, dated December 26, 1995, “On Joint-stock Companies” (hereinafter referred to as the Joint-stock Company Law);</p> <p>Federal Law No. 14-FZ, dated February 8, 1998, “On Limited Liability Companies” (hereinafter referred to as the Limited Liability Company Law);</p> <p>The Banking Law;</p>

		<p>credit institution have assumed unacceptable risk or that the control measures taken are inadequate to the risk level, he is obliged to inform the board of directors (supervisory board) of the credit institution.</p> <p>The credit institution (parent credit institution of the banking group) compiles the ICAAP report on a regular basis. The ICAAP report shall be compiled by the risk management service or other division that is independent from the divisions whose functions are connected with risk acceptance (except for the internal audit). Reports on the results of the ICAAP implementation shall be submitted to the board of directors (supervisory board) and executive bodies of the credit institution (parent credit institution of the banking group) annually. Reports of the results of stress-testing shall be submitted to the board of directors (supervisory board) and executive bodies of the credit institution (parent credit institution of the banking group) annually.</p> <p>Reports on considerable risks, compliance with required ratios, capital amount, and results of assessment of capital adequacy of the credit institution, major banking group participant shall be submitted to the board of directors (supervisory board) of the credit institution (parent credit institution of the banking group) quarterly, and to the executive bodies of the credit institution (parent credit institution of the banking group) at least monthly. Information on the achievement of the established signal values and failure to comply with the established limits shall be communicated to the board of directors (supervisory board) and executive bodies of the credit institution as such facts are revealed.</p>	<p>Clauses 3.1, 3.8, 4.1.2 and 4.11 of and Annex 2 to Regulation No. 242-P; Ordinance No. 3624-U.</p>
12.3	The role of the board of directors	<p>The board of directors (supervisory board) of a credit institution is responsible for the issues stipulated by the Joint-stock Company Law, the Limited Liability Company Law, and the following issues, as specified by the charter:</p> <ol style="list-style-type: none"> 1) approving the risk and capital management strategy of a credit institution, including in terms of capital and liquidity adequacy to cover for risks both in a credit institution as a whole, and some of its activities, and approving the procedure for managing the most significant risk of a credit institution and controlling the implementation of this procedure; 2) approving the procedure for implementing banking risk management methodologies and quantitative risk assessment models (in cases stipulated by Article 72.1 of the Federal Law “On the Central Bank of the Russian Federation (Bank of Russia)”), including the assessment of assets and liabilities, off-balance sheet claims and obligations of a credit 	<p>Article 65 of the Joint-stock Company Law; Article 32 of the Limited Liability Company Law; Article 11.1-1 of the Banking Law; Ordinance No. 3624-U.</p>

		<p>institution, and stress-test scenarios and outcomes;</p> <ol style="list-style-type: none"> 3) approving the procedure for preventing conflicts of interests, financial stability recovery plans in case of considerable deterioration in a credit institution's financial standing, action plan for ensuring going concern and(or) recovery of activity of a credit institution in case of contingencies, appointing a head of the internal audit of a credit institution, schedule of the internal audit of a credit institution, approving a credit institution's policy on remuneration and controlling its implementation; 4) assessing the compliance of the sole executive body of a credit institution and a collegial executive body with strategies and procedures approved by the board of directors (supervisory board) based on internal audit reports; 5) deciding on responsibilities of members of the board of directors (supervisory board), including the establishment of committees, assessment of activity, and presenting the results to the general meeting of credit institution participants; 6) approving the personnel policy of a credit institution (the procedure for determining remuneration of the management of a credit institution, procedure for determining the size, form and calculation of compensation and incentive payments to the management of a credit institution, head of risk management, head of internal audit, head of internal controls of a credit institution and other managers (employees) responsible for decision making on a credit institution's operations and other transactions which may impact the credit institution's compliance with required ratios or provoke other situations threatening interests of depositors and creditors, including reasons to implement insolvency (bankruptcy) prevention measures, qualification requirements to the said persons and the payroll of a credit institution). Credit institutions are recommended to include in the competence of their board of directors (supervisory boards) the establishment and effective functioning of internal controls. The board of directors approves regulations on bank's internal audit unless otherwise is stipulated by the charter of a credit institution. <p>The board of directors (supervisory board) of the credit institution (parent credit institution of the banking group, subsidiary credit institution) participates in development, approval and implementation of the ICAAP of the credit institution (group, subsidiary credit institution).</p> <p>The board of directors (supervisory board) of the credit institution (parent credit institution of the banking group, subsidiary</p>	
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		credit institution) approves the risk and capital management strategy of the credit institution (banking group, subsidiary credit institution); the procedure for managing the most significant risks and capital of the credit institution (banking group, subsidiary credit institution), and controls its implementation. The board of directors (supervisory board) and executive bodies of the credit institution (parent credit institution of the banking group) consider the necessity of amending documents worked out under the ICAAP at least annually.	
12.4	Management of:		
12.4.1	Interest rate risk	<p>Regulation No. 242-P requires a credit institution to adopt internal documents on banking risk management and interest rate policy.</p> <p>In compliance with Ordinance No. 3624-U, procedures for managing risks of deterioration of a credit institution's financial standing due to the decrease in the capital, income, asset value resulting from movements in the market interest rates (hereinafter referred to as the interest rate risk) shall include a list of assets (liabilities) sensitive to exchange rate fluctuations.</p> <p>To assess the interest rate risk a credit institution (parent credit institution of a banking group) uses gap analysis with stress testing of interest rate by 400 basis points (basis point is a hundredth of percent) in compliance with the Procedure for drawing up and presenting reporting form 0409127 "Information on Interest Rate Risk" (hereinafter referred to as the Procedure) envisaged by Bank of Russia Ordinance No. 4212-U. If a credit institution (parent credit institution of a banking group, subsidiary credit institution) applies interest rate risk assessment methods other than those stipulated by the said Procedure, methods applied by the credit institution shall meet the requirements internationally applied to such methods.</p> <p>Procedures for assessing capital adequacy or a method for determining capital requirements to cover interest rate risks shall be established with regard to the interest rate risk of the credit institution (parent credit institution of the banking group).</p>	<p>Clauses 3.3 and 3.8 and Annex to Regulation No. 242-P;</p> <p>Ordinance No. 3624-U;</p> <p>Letter No. 96-T;</p> <p>Ordinance No. 4212-U.</p>
12.4.2	Liquidity risk	<p>To develop the efficient system of liquidity risk management by major currency, Regulation No. 421-P sets requirements for the calculation by the largest banks of LCR for the operations in rubles and each major foreign currency and the procedure for submitting to the Bank of Russia reports on LCR.</p> <p>To diversify the portfolio of high-quality liquid assets, banks under Regulation No.421-P develop and approve internal</p>	<p>Regulation No. 421-P;</p> <p>Regulation No. 510-P (Appendix 1);</p> <p>Ordinance No. 3624-U.</p>

documents on their own that specify approaches to asset portfolio management, inter alia, by setting the respective limits on investments by type of high-quality liquid assets, securities issuer, security issue, currency in which high-quality liquid assets are denominated, and the procedure for control over their compliance.

Regulation No. 510-P establishes principles for liquidity risk management in systemically important credit institutions recognized by the Bank of Russia in compliance with Bank of Russia Ordinance No. 3737-U, dated July 22, 2015, “On the Methodology for Determining Systemically Important Credit Institutions”. Appendix 1 to Regulation No. 510-P is worked out in the framework of introduction of internationally recognised approaches to liquidity risk management in credit institutions, stipulated in the document of the Basel Committee on Banking Supervision “Principles for Sound Liquidity Risk Management and Supervision, 2008” (Principles 1-13) taking account of the additional requirements established by the document “Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools (2013)”, and covers key requirements of the Bank of Russia to managing short-term liquidity by parent credit institutions of banking groups (credit institutions), including the requirements to the parent credit institution (credit institution) to ensure efficient liquidity risk management system that ensures the necessary liquidity level, including the reserve of unencumbered high-quality liquid assets.

In compliance with Ordinance No. 3624-U, procedures for managing risk of a credit institution’s inability to finance its activity, i.e. ensure growth of assets and meet liabilities as they mature without suffering losses in the amount that threatens financial stability of the credit institution (hereinafter referred to as the liquidity risk), shall reveal the triggering factors and include:

- description of functions related to liquidity risk acceptance and management and their distribution among structural divisions, procedures for cooperation of the said divisions and a procedure for solving disputes between them;
- description of procedure for determining a credit institution’s (banking group’s) demand for funding, including determining liquidity excess (deficit) and liquidity excess (deficit) margins (liquidity limits);
- procedure for analyzing liquidity for different periods (short-term, current, long-term liquidity);
- procedure for setting liquidity limits and determining methods for monitoring compliance with the said limits, communicating

		<p>limit violations to credit institution's management and procedure for their elimination;</p> <p>procedures for daily liquidity management, and longer-term liquidity management;</p> <p>methods for analyzing liquidity of assets and stability of liabilities;</p> <p>procedures for decision making in case of conflict of interests between liquidity and profitability (e.g., due to low profitability of return on liquid assets, high value of borrowed funds);</p> <p>procedures for recovering liquidity, including procedures for making decisions on mobilization (sale) of liquid assets, other possible (and most affordable) ways to raise additional resources if liquidity deficit occurs.</p> <p>Procedures for managing liquidity risk of a subsidiary credit institution shall be determined on the basis of approaches to liquidity risk management established on the banking group level and agreed on with the parent credit institution of the banking group in writing.</p> <p>If a credit institution (subsidiary credit institution) uses asset and liability condition modeling that takes account of behavioral characteristics based on forecasts of customer behavior, including depositors, condition of financial markets, internal documents of a credit institution (banking group) shall contain the description of the applied methods of mathematical and statistical analysis and basic assumptions. A credit institution (parent credit institution of a banking group) shall analyze sensitivity of the applied methodology to changes in the assumptions. Assumptions applied in a subsidiary credit institutions shall be agreed on with the parent credit institution of the banking group in writing.</p>	
12.4.3	Operational risk	<p>In compliance with Ordinance No. 3624-U, procedures for managing risk of losses resulting from unreliable internal management procedures of a credit institution, unscrupulous employees, information system failure or the impact of external events on the activity of a credit institution (subsidiary) shall include methods for determining and assessing the accepted operational risk with regard to different activities of the credit institution (subsidiaries), including methods for assessing and analysing possibility of operational risk. Legal risk is a part of operational risk.</p> <p>Procedures for managing liquidity risk shall stipulate as follows:</p> <p>powers of heads of structural divisions of the credit institution in operational risk management and their responsibility to reveal operational risk inherent to the activity of these divisions;</p>	<p>Ordinance No. 3624-U; Bank of Russia Regulation No. 346-P, dated November 3, 2009, "On the Procedure for Calculating Operational Risk".</p>

		<p>availability in the credit institution of the division (employee) responsible for developing operational risk management procedures, including operational risk assessment methods and operational risk reporting, as well as implementation of these procedures;</p> <p>control over the implementation of operational risk management procedures established in the credit institution and assessment of the efficiency by the internal audit service of the credit institution (other division of the credit institution independent from divisions engaged in operations (deals) connected with risk acceptance, development and implementation of operational risk management procedures).</p> <p>The procedure for calculating operational risk is described in Regulation No. 346-P.</p> <p>Operational risk is calculated annually as of the 1st of January of the year following the reporting year, on the business day following the date on which Form 0409807 for the reporting year was published.</p> <p>Operational risk is included in the calculation of the bank's capital adequacy (N1) ratio as follows:</p> <ul style="list-style-type: none"> beginning from the reports as of August 1, 2010, as 40% of operational risk calculated pursuant to Regulation No. 346-P; beginning from the reports as of August 1, 2011, as 70% of operational risk calculated pursuant to Regulation No. 346-P; beginning from the reports as of August 1, 2012, as 100% of operational risk calculated pursuant to Regulation No. 346-P. 	
12.4.4	Other risks	<p>A credit institution shall approve internal documents on banking risk management.</p> <p>General requirements to managing considerable risks and requirements to managing certain types of considerable risks are established in the Annex to Bank of Russia Ordinance No. 3624-U.</p> <p>The credit institution (parent credit institution of the banking group) shall work out a methodology for non-financial risks, that ensures their assessment through qualitative methods based on professional judgment formed as a result of the analysis of factors of risk emergence.</p>	<p>Regulation No. 242-P;</p> <p>Ordinance No. 3624-U;</p> <p>Bank of Russia Letter No. 96-T.</p>
13	Internal controls		
13.1	Requirement for a detailed internal	The statute of a credit institution should contain data on the internal control system and its structures, the procedure for establishing them and their powers.	Article 10 of the Banking Law;

	control description	<p>The credit institution should have internal documents regulating the activities of the internal audit service and the internal control service (compliance service), as well as the plans of audits by the internal audit service and the plans of activities of the internal control service (compliance service).</p> <p>In addition, the credit institution should adopt internal documents on major issues relating to internal controls, such as:</p> <ol style="list-style-type: none"> 1. Accounting (accounting policy). 2. Banking and capital risk management. 2(1). Application of implementing banking risk management methodologies and quantitative risk assessment models in accordance with Article 72.1 of the Federal Law “On the Central Bank of the Russian Federation (Bank of Russia)”. 3. Lending and deposit policy. 4. Procedure for lending to related persons. 5. Opening (closing) and keeping accounts and deposits. 6. Interest rate policy. 7. The effectuation of (cash and non-cash) settlements. 8. Conducting operations with foreign currency values. 9. Exercising foreign exchange control. 10. Conducting operations with securities. 11. Issuing bank guarantees. 12. Conducting cash operations and collecting money and other valuables. 13. Internal control rules directed against money laundering and terrorist financing. 14. Information security policy. 15. Ensuring going concern and/or recovery of activity of a credit institution in case of contingencies. 16. Procedure for preventing conflict of interests. 17. Personnel policy, including remuneration. 	<p>Clauses 2.1, 3.8 and 4.2, Sub-clause 4.7.2 of Clause 4.7, Clauses 4¹.2, 4¹.3 of and Annexes 2 and 3 to Regulation No. 242-P.</p>
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13.2	Internal controls adequacy criteria	<p>The Bank of Russia assesses the quality of internal controls on the basis of the following documents:</p> <p>information on internal controls at a credit institution prepared and presented by credit institutions annually;</p> <p>written notices on considerable changes in internal control system a credit institution submits to the Bank of Russia;</p> <p>written notices bearing information on appointing (discharging) persons acting as a head of internal audit and a head of internal controls of a credit institution, on their compliance with qualification and business reputation requirements submitted in accordance with Bank of Russia requirements.</p> <p>For the purpose of assessing internal controls at a credit institution, the Bank of Russia is entitled to request a credit institution for additional information on the arrangement of internal controls.</p> <p>During inspections of a credit institution, both the internal controls system as a whole and certain operations (procedures) can be assessed for the purpose of confirming the following issues:</p> <ul style="list-style-type: none"> - compliance with internal methodologies, programs, rules, orders and procedures, and established limits; - reliability, completeness and objectivity of accounting and reporting systems, other data collection, processing and storage in compliance with Russian legislation; - reliability of certain control methods established and applied at a credit institution. <p>Quality of internal control system of a credit institution is assessed on the basis of assessment of compliance with requirements of Russian legislation, including inspections conducted by the Bank of Russia, and in case of credit institutions included in the list of systemically important credit institutions also on the basis of:</p> <p>assessment of availability of an audit committee in the board of directors (supervisory board) of a credit institution;</p> <p>assessment of conduct by the internal audit of activity inspections of each structural division of a credit institution or each type of operations and transactions at least every three years.</p> <p>Resulting from the assessment and in case of incompliance of internal control system of a credit institution (banking group) with Bank of Russia requirements and/or the nature and the scope of operations of a credit institution (banking group), level and combination of accepted risks, resulting in repeated violations within a year from requirements of federal laws and/or Bank of Russia regulations, single violation of Bank of Russia requirement resulting in violation by a credit institution of required ratios</p>	<p>Clauses 5.1 – 5.4 of Regulation No. 242-P;</p> <p>Bank of Russia Ordinance No. 2005-U, dated April 30, 2008, “On Assessing Banks' Economic Situation” (hereinafter referred to as Ordinance No. 2005-U).</p>
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		<p>established by the Bank of Russia, single violation of a Bank of Russia instruction, or misreporting to the Bank of Russia, the Bank of Russia shall submit an instruction on bringing internal control system of a credit institution (banking group) in compliance with Bank of Russia requirements, nature and scope of operations of a credit institution (banking group), level and combination of accepted risks and/or a decision on establishing individual required ratios for a credit institution (banking group).</p> <p>The methodology of supervisory assessment of banks' activity provides for quality assessment of bank management, which includes the assessment of the bank's internal controls indicator (PU5).</p> <p>The internal controls indicator (PU5) is determined through the assessment of responses to questions listed in Appendix 7 to Ordinance 2005-U, which include questions allowing, among other things, to assess the quality of the bank's internal documents, regulating the rules for organization of the internal controls, including, for the purpose of countering legalization (laundering) of criminally obtained incomes and terrorism financing (AML/CTF); the bank's compliance with these rules, efficiency of the bank's internal controls (completeness of control over all lines of business); the roles of the bank's board of directors (supervisory board) in controlling the internal controls service; organization of the bank's operations in AML/CTF and their efficiency; the bank's compliance with the legislation, Bank of Russia regulations, and operations to eliminate the revealed violations. Responses are assessed through rating by 4-grade scale. Internal controls indicator PU5 is a weighted average of response ratings and characterizes the internal controls as follows:</p> <p>equals to 1 – “good”;</p> <p>equals to 2 – “satisfactory”;</p> <p>equals to 3 – “doubtful”;</p> <p>equals to 4 – “unsatisfactory”.</p>	
13.2.1	Transfer of powers according to special criteria	A credit institution within a banking group may transfer some internal audit functions to the internal control service of another credit institution within the banking group except for the functions of a head of internal audit service. It may do so if it has no specialists to control specific activities or if the nature and scale of the credit institution's operations makes the employment of full-time specialists impossible or unnecessary. A list of the transferred functions and the procedure for co-operation and	Sub-clauses 4(1).9 and 4.6.3 of Regulation No. 242-P.

		<p>responsibility for exercising internal audit should be agreed upon by the credit institutions concerned in writing. Responsibility for the effective performance of the transferred functions rests with the credit institution, which has made the decision to transfer some internal audit functions.</p> <p>Information on the transfer of internal audit services in credit institutions within a banking group, indicating the transferred functions and the procedure for co-operation and responsibility for exercising internal audit should be passed to the Bank of Russia regional branches.</p> <p>Similar possibility to transfer functions is provided for internal control service (compliance service).</p>	
13.2.2	Separation of commercial and administrative functions	<p>The procedure for separating powers between divisions and employees when conducting banking operations and other transactions should be established by a credit institution's internal documents. In addition, the Bank of Russia has established the forms of control, which should include this procedure.</p> <p>A credit institution should ensure the separation of duties in such a way as to preclude a conflict of interests (a contradiction between the proprietary and other interests of a credit institution and (or) its employees and (or) clients, which may have adverse consequences for the credit institution and (or) its clients) and conditions that may cause it, crimes and other illegal actions being committed when conducting banking operations and other transactions and the granting to the same division or employee the following rights:</p> <ul style="list-style-type: none"> - to conduct banking operations and other transactions and register them and (or) account for them; - to permit the payment of money and pay it; - to conduct operations with the accounts of the credit institution's clients and the accounts showing the credit institution's own financial and economic activities; - to provide consulting and information services to the credit institution's clients and conduct operations with the same clients; - to evaluate the accuracy and completeness of the documents presented when extending a loan and monitor the financial standing of the borrower; - to carry out activities in any other area where a conflict of interests may arise. <p>A credit institution should set a procedure for detecting and controlling the areas of a potential conflict of interests and</p>	Sub-clauses 3.4.1 - 3.4.3 and 4(1).14 of Regulation No. 242-P.

		<p>ascertaining the official duties of executives and employees with the objective of excluding the concealment of any wrongdoing by them.</p> <p>Besides, in case internal control service functions are performed by employees of different departments or if they perform both internal control functions and banking operations and other transactions, a credit institution determines measures aimed at mitigating and preventing conflict of interests, including the borders of functional subordination of these employees in terms of performing their functions not related to internal controls, in its internal documents.</p>	
13.2.3	Verification of commercial and administrative data	<p>One purpose of internal controls is to ensure that credit institutions compile and present on time credible, full and objective financial, accounting, statistical and other reports (for external and internal users).</p> <p>The Bank of Russia has established that a credit institution should provide for the following forms of control in its internal documents:</p> <ul style="list-style-type: none"> - control exercised by division heads through examining progress reports of the subordinate employees (on a daily and (or) weekly and (or) monthly basis); - control over the compliance with the limits set on banking operations and other transactions by receiving corresponding reports and checking them against data contained in primary documents; - control over the observance of the procedure for conducting banking operations and other transactions, reconciliation of accounts and reporting the violations, errors and problems detected to the corresponding executives of the credit institution or its divisions. <p>In addition, the Bank of Russia has stipulated that one duty of the internal audit service is to verify and test the accuracy, completeness, and timeliness of accounting and reporting, and to ensure the reliability (including accuracy, completeness and objectivity and timeliness) and timeliness of the collection and presentation of information and reports.</p>	Sub-clauses 1.2.2, 3.4.1 and 4.1.4 of Regulation No. 242-P.
13.2.4	Independent and qualified internal audit	<p>The Bank of Russia has stipulated that a credit institution must ensure the continuous operation, independence and impartiality of the internal audit service, the competence of its manager and staff and create conditions for the uninterrupted and effective performance of internal audit functions.</p>	Clause 4.5 and Sub-clauses 4.7.1-4.7.4, Clause 4.9 of Regulation No. 242-P.

		<p>A credit institution ensures the independence of its internal audit according to a procedure which should stipulate that the internal audit service:</p> <ul style="list-style-type: none"> - operates under the immediate control of the board of directors (supervisory board); - does not carry out any activities subject to inspection (the head and staff of the internal audit service have no right to sign on behalf of the credit institution payment (settlement) and accounting documents or any other documents whereby the credit institution assumes banking risks or visa such documents); - reports at its own initiative to the board of directors (supervisory board) problems arising in the work of the internal audit service and proposes solutions to them and discloses this information to the sole and collegiate executive body of the credit institution; - is subjected to an independent audit by an audit organization or the board of directors (supervisory board), if such an audit is provided for by the credit institution's statute. <p>The head of internal audit service cannot be charged with responsibilities not related to internal audit. The internal audit service cannot include departments and employees whose functions are not related to internal audit.</p> <p>The head of internal audit should meet the requirements stipulated by Bank of Russia Ordinance No. 3223-U, dated 1 April 2014, "On the Requirements for Heads of Risk Management Department, Internal Control Department and Internal Audit Department of a Credit Institution", and business reputation requirement stipulated by Clause 1 of Part 1 of Article 16 of the Federal Law "On Banks and Banking Activity".</p> <p>The head and employees of the internal audit service are recommended to take professional training (retraining) on a regular basis.</p>	
13.2.5	Special compliance standards	<p>One of the principal objectives of internal controls is to ensure the compliance with rules and regulations, the standards of self-regulating organizations (this applies to securities market professional participants) and the founding and internal documents of a credit institution. The credit institution should have an internal control service (compliance service) that manages compliance risk, the risk of incurring losses by the credit institution due to its non-compliance with Russian legislation, its internal documents, the standards of self-regulating organizations (if these standards or rules are mandatory for the credit institution), as</p>	<p>Clause 3.1, Sub-clauses 1.2.3, 2.2.2, 2.2.3, 4(1).1 of Regulation No. 242-P.</p>

		<p>well as due to the use of sanctions and(or) other measures taken by supervisory authorities, or performs other functions related to this risk.</p> <p>A credit institution should also have an officer or division responsible for countering money laundering and terrorist financing, for the development and implementation of anti-money laundering internal control rules, programs and other measures and presentation to the anti-money laundering authority of data in accordance with the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing and the relevant Bank of Russia regulations.</p> <p>In addition, allowing for the nature and scale of operations conducted, the level and profile of risks taken, internal control units and employees may include other structural divisions and(or) officers of the credit institution, among others an officer or division responsible for monitoring the compliance by a securities market professional participant with Russian securities legislation, including Bank of Russia regulations, the regulations of the federal executive authority on the securities market, Russian laws protecting the rights and legitimate interests of securities market investors, Russian advertising legislation, as well as with its internal documents related to its operations on the securities market.</p>	
14	Combating money laundering		
14.1	Preventing criminal elements infiltration, including the know-your-customer requirement	<p>I. Russia has signed and ratified the following international conventions directed against money laundering and terrorist financing:</p> <ul style="list-style-type: none"> - the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (December 20, 1988); - the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg, November 8, 1990); 	<p>USSR Supreme Soviet Resolution No. 1711-I, dated October 9, 1990, "On the Ratification of the UN Convention against Illicit</p>

- the International Convention for the Suppression of Terrorist Financing (New York, December 9, 1999);

- the UN Convention against Transnational Organized Crime (November 15, 2000);

- the Shanghai Convention on the Suppression of Terrorism, Separatism and Extremism (June 15, 2001).

- the United Nations Convention against Corruption (October 31, 2003).

- the Council of Europe Convention on the Prevention of Terrorism (Warsaw, May 16, 2005);

- the Council of Europe Criminal Law Convention on Corruption (Strasbourg, January 27, 1999).

Traffic in Narcotic Drugs and Psychotropic Substances”;
 Federal Law No. 62-FZ, dated May 28, 2001, “On the Ratification of the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime”;
 Federal Law No. 88-FZ, dated July 10, 2002, “On the Ratification of the International Convention for the Suppression of Terrorist Financing”;
 Federal Law No. 26-FZ, dated April 26, 2004, “On the Ratification of the UN Convention against Transnational Organized Crime and the Accompanying Protocol against the Smuggling of

		<p>- the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on Terrorist Financing (Warsaw, May 16, 2005).</p> <p>II. Russia has taken the following measures at the legislative level to prevent criminal elements and criminally obtained incomes from penetrating into its financial system through credit institutions:</p> <p>1. A credit institution may be denied state registration and a banking license if the candidates nominated for the positions of its chief executive, chief accountant and their deputies do not meet the fitness and propriety requirements set by federal laws and Bank of Russia regulations issued in pursuance of these laws, such as:</p> <ul style="list-style-type: none">- if they do not have a higher education in law or economics and experience as the head of a department or any other division of a credit institution connected in any way with conducting banking operations or if they have no experience of being in charge of such a department or division for two years;- if they have been convicted of economic crimes;- if during the year preceding the submission of documents by a credit institution to the Bank of Russia for state registration they have committed an administrative offence in the field of trade or finance, as established by a resolution of the agency authorized to consider administrative offences;- if during the two years preceding the submission of documents by a credit institution to the Bank of Russia for state registration they had a labor agreement terminated with them under Sub-clause ‘d’ of Clause 6, Clause 7 or Clause 7.1 of Part 1 of Article 81 of the Russian Federation Labor Code, or Clause 4 of Part 1 of Article 83 of the Russian Federation Labor Code if an employee’s conviction which excluded him from continuing to fulfill his duties had resulted from on-site personal theft, embezzlement, property destruction or damage;	<p>Migrants by Land, Sea and Air and Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children”;</p> <p>Federal Law No. 3-FZ, dated January 10, 2003, “On the Ratification of the Shanghai Convention on the Suppression of Terrorism, Separatism and Extremism”;</p> <p>Federal Law No. 40-FZ, dated March 8, 2006, “On the Ratification of the United Nations Convention against Corruption”;</p> <p>Federal Law No. 56-FZ, dated April 20, 2006, “On the Ratification of the Council of Europe Convention on the Prevention of Terrorism”;</p>
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		<p>- if during the three years preceding the submission of documents by a credit institution to the Bank of Russia for state registration the credit institution in which each of the candidates indicated above held the position of the chief executive was ordered to dismiss them from this position under the procedure established by the Bank of Russia Law;</p> <p>- if the candidates indicated above do not meet the business reputation requirements set by the federal laws and Bank of Russia regulations issued pursuant to these laws.</p> <p>2. Credit institutions are required:</p> <p style="padding-left: 40px;">- to identify a customer, his/her representatives and (or) beneficiaries, prior to servicing them, except in cases stipulated in Clauses 1.1, 1.2, 1.4, 1.4-1 and 1.4.2 of Article 7 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing and obtain the following information:</p> <ul style="list-style-type: none"> • in respect to private individuals: surname, first name and patronymic (unless the law or national custom requires a different procedure), citizenship, date of birth, details of an identification document, details of a migration card / a document confirming the right of a foreign citizen or person without citizenship to stay (reside) in the Russian Federation, address (place of registration) or place of residence, and taxpayer identification number (if any) as well as the surname, first name and patronymic (unless the law or national custom requires a different procedure), identification document series and number, and other information to confirm this data in cases envisaged by Clause 1.11 and Clause 1.12 of Article 7 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing; • in respect to legal entities: title, form of incorporation, taxpayer identification number or foreign organization code; for legal entities incorporated in the Russian Federation – state registration number, and location of the legal entity; for legal entities incorporated under foreign laws – registration number, place of state registration and location of the legal entity in the country of incorporation; • in respect to foreign unincorporated entities: title, registration number (numbers) (if any) assigned to the foreign unincorporated entity in the country (on the territory) of its registration (incorporation) at the moment of registration 	<p>Federal Law No. 125-FZ, dated July 25, 2006, “On the Ratification of the Council of Europe Criminal Law Convention on Corruption”;</p> <p>Russian President Ordinance No. 749-rp, dated December 3, 2008, “On the Signing of the Council of Europe Convention of Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on Terrorist Financing”.</p> <p>Article 16 of the Banking Law.</p>
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		<p>(incorporation), code (codes) (if any) of the foreign unincorporated entity in the country (on the territory) of its registration (incorporation) as a taxpayer (or their analogs), place of principal activity; in respect to trusts and other foreign unincorporated entities with similar structure or function: property in trust management (ownership), surname, first name, patronymic (if any) (title) and residential address (location) of founders and the trust owner (trustee);</p> <p>- when undertaking to service and servicing the clients, including foreign unincorporated entities, to receive information on the purpose of establishing business relations and their intended nature with a certain institution that conducts operations with cash and other property, and take on a regular basis justified measures, realizable under the circumstances, to identify the purposes of financial and business operations, financial position, and business reputation of the clients. The nature and scale of such measures shall be determined by the level of risk that clients may carry out operations designed to legalize (launder) criminally obtained incomes or finance terrorism;</p> <p>- to take justified measures, realizable under the circumstances, to identify the beneficiaries of customers, including those of obtaining information on them as stipulated in Sub-clause 1 of Clause 1 of Article 7 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing;</p> <p>- to update information on clients, their representatives, beneficiaries, and beneficiary owners at least once a year, and if data reliability and accuracy look suspicious – no later than seven consecutive working days from the day such suspicion arouse;</p> <p>- to record and present to the authorized agency no later than three working days following an operation the following data subject to mandatory control on operations with money or other property conducted by their clients:</p> <ul style="list-style-type: none"> • the kind of operation and its purpose; • the date of the operation with money or other property and its amount; • the necessary information to identify the individual conducting an operation with money or other property (passport data or data from another identification document), migration card data and data from a document confirming the right of a foreign citizen or a person without citizenship to stay (reside) in the Russian Federation, taxpayer identification number (if any) and address or place of residence; 	<p>Clauses 1, 1.10, 2, 3, 4, 5.1, 5.3, 5.5, 10 and 13 of Article 7, Article 7.2 and 7.3 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing.</p>
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		<ul style="list-style-type: none"> • name, taxpayer identification number, state registration number, place of state registration and address of the legal entity conducting an operation with money or other property; • the necessary information to identify a private individual or a legal entity on whose behalf an operation with money or other property is being conducted, migration card data and data from a document confirming the right of a foreign citizen or person without citizenship to stay (reside) in the Russian Federation, taxpayer identification number (if any) and place of residence or location of the private individual or legal entity; • the necessary information to identify a representative of a private individual or a legal entity, lawyer, agent, commissioner or trust manager conducting an operation with money or other property on behalf or in the interest or at the expense of another person due to the authority based on a power of attorney, agreement, law or federal or local government act, migration card data and data from a document confirming the right of a foreign citizen or person without citizenship to stay (reside) in the Russian Federation, taxpayer identification number (if there is any) and place of residence or location of the representative of the private individual or legal entity; • the necessary information to identify the recipient in an operation with money or other property and (or) his representative, including migration card data and data from a document confirming the right of a foreign citizen or person without citizenship to stay (reside) in the Russian Federation, taxpayer identification number (if there is any) and address or place of residence of the recipient and (or) its representative should this be required by the rules on conducting the corresponding operation; <p>- to pass to the authorized agency at the latter's request information on customers' operations and beneficiary owners, as well as information on funds flows across accounts (deposits) of these customers;</p> <p>- to apply measures to freeze (block) funds or other property, except for the cases stipulated in Clause 2.4 of Article 6 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing, immediately, but not later than one working day following publication on the authorized agency's website of information on including an entity or an individual in the list of entities or individuals considered to be involved in extremist or terrorist</p>	<p>Clauses 1.5, 1.5-2, 5.2, 5.4 and 11 of Article 7 of the Federal Law No. 115-FZ, dated August 7, 2001, "On Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing".</p>
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		<p>activity or from the day of publication on the authorized agency's website of the decision to freeze (block) funds or other property held by an entity or an individual reasonably suspected of involvement in the terrorist activity (including terrorist financing), should there be no grounds for including in the said list, immediately communicate the implemented measures to the authorized agency;</p> <ul style="list-style-type: none"> - to check their customers at least once in three months for entities and individuals to which measures to freeze (block) funds or other property have been or shall be applied and communicate the result of this inspection to the authorized agency; - to inform the Bank of Russia in compliance with the established procedure of the persons charged with the implementation of identification or simplified identification; - to work out rules of internal controls, appoint special officials responsible for implementation of the rules of internal control, and take other internal organizational measures for the said purposes; - to document the information received as a result of implementation of the rules of internal controls and keep it confidential; - to pass to the authorized agency no later than three working days following the detection day information on operations with funds or other property which aroused suspicion of being conducted for the purpose of laundering criminal incomes or financing terrorism; - to store for at least five years documents containing the information stipulated in Article 7 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing and the information needed for personal identification; - to take action to prevent the establishment of relations with non-resident banks which are believed to have their accounts used by banks that have no permanent management bodies in the countries where they are registered; - to report to the authorized agency the cases in which the state (territory) where the branches, representative offices and subsidiaries of credit institution are located prevents these branches, representative offices and subsidiaries implementing the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing or some of its provisions; - to pay close attention to any operations with money or other property conducted by individuals or corporate entities indicated 	<p>Article 4, Clause 5 of Article 7 of the Federal Law on Countering the</p>
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	<p>in Sub-clause 2 of Clause 1 of Article 6 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing or with their participation or on their behalf or in their interest or using the bank account indicated in Sub-clause 2 of Clause 1 of Article 6 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing;</p> <ul style="list-style-type: none"> - to suspend operations with funds or other property, except operations to enter funds received to individual and corporate accounts, for two business days after the date on which the clients' instructions to conduct them should be fulfilled, if at least one of the parties is: <ul style="list-style-type: none"> a legal entity directly or indirectly owned or controlled by an organization or individual in respect to which measures to freeze (block) funds or other property were applied in compliance with Sub-clause 6 of Clause 1 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing, or a private individual or legal entity acting on behalf of such an organization or individual; an individual conducting operations with funds or other property in compliance with Sub-clause 3 of Clause 2.4 of Article 6 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing; - to pass information on the suspended operations to the authorized agency; - to record and pass to the authorized agency information on the refusal to conclude and/or cancel an agreement with customers on the credit institution's initiative on the grounds indicated in Clause 5.2 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing; - to take measures, justified and practicable under the circumstances, to identify foreign public officials among the persons being served or accepted for service; officials of public international organizations, as well as Russian government officials, Bank of Russia Board members, government officers who are appointed or dismissed by the Russian President or Government, employees of the Bank of Russia, federal government corporations and other organizations established by the Russian Federation under federal laws and included in lists of positions determined by the Russian President; - to accept for service foreign public officials only on the basis of the decision made in writing by the head or deputy head of the organization that conducts operations with money and other property and the head of the separate unit of the organization 	<p>Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing.</p> <p>Clause 9 of Article 7 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing.</p> <p>Clauses 1, 1.9, 2, 7 and 13.1</p>
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		<p>conducting transactions with money or other property, to whom the head of this organization or his/her deputy has delegated the corresponding powers;</p> <ul style="list-style-type: none">- to take measures that are justified and practicable under the circumstances to determine the sources of money or other property of foreign public officials;- to regularly update information available to the organization conducting operations with money or other property on the foreign public officials it serves;- to pay close attention to operations with money or other property conducted by foreign public officials, their spouses and close relations (relatives in direct ascending and descending order (parents and children and grandparents and grandchildren), brothers and sisters and half-siblings (who share one parent), adoptive parents and adopted children) serviced by an institution performing operations with money or other property, or on behalf of these persons if the latter are serviced by a credit institution;- to take measures stipulated by Sub-clause 2-5 of Clause 1 of Article 7.3 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing against a customer, an employee of a public international organization, or a Russian government official, Bank of Russia Board member, government officer who are appointed or dismissed by the Russian President or Government, an employee of the Bank of Russia, a federal government corporation and other organization established by the Russian Federation under federal laws and included in lists of positions determined by the Russian President in case their transactions are considered by an institution conducting operations with money and other property to be made for money laundering or terrorism financing with much probability;- to make sure that information on a payer is transferred unchanged as part of settlement documents or otherwise, is present, complete, fully complies with information available to the credit institution and kept in compliance with Clause 4 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing;- to refuse to fulfil a payer's order to effectuate non-cash settlements or transfer funds without opening a bank account if a settlement or any other document carrying the payer's instruction does not contain information on the payer or such information is unavailable in any other way, except for the cases stipulated by the Federal Law on Countering the Legalisation (Laundering)	<p>of Article 7 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing.</p> <p>Article 20 of the Banking Law;</p> <p>Article 74 of the Bank of Russia Law and Articles 15.27 and 23.74 of the Russian Code of Administrative Offences.</p>
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of Criminally Obtained Incomes and Terrorist Financing;

- in the event of the absence of information on a payer in an incoming settlement document, should employees of the credit institution in which the payee's account is open suspect that this operation is conducted for the purpose of legalising (laundering) criminally obtained incomes or financing terrorism, to report this operation to an authorized agency no later than the working day following the day on which this operation was recognized as a suspect operation;
- to refuse to carry out transaction with money and(or) other property if one of the parties is a foreign or an international non-governmental organization included in the list of foreign and international non-governmental organizations whose activity is recognised undesirable on the territory of the Russian Federation;
- to provide information to the authorized body on the refusal to carry out transaction with money and(or) other property if one of the parties is a foreign or an international non-governmental organization included in the list of foreign and international non-governmental organizations whose activity is recognised undesirable on the territory of the Russian Federation;
- to consider the information of the authorized body communicated by the Bank of Russia in compliance with Clause 13.3 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing in determining the level of risk that the customer carries out operations aimed at legalization (laundering) of criminally obtained incomes or financing of terrorism, and in decision-making in compliance with Clause 5.2 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing.
- to use documents and information provided in a soft copy signed by the customer's enhanced encrypted and certified digital signature to identify a corporate customer when its representatives do not assist at opening a bank account in the case stipulated by paragraph 7 of Clause 5 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing.

3. Credit institutions have the powers:

To request and receive the identification documents, constitutive documents, documents confirming the State registration of a legal entity (individual entrepreneur), and other documents envisaged by the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the and Terrorist Financing and the related regulations of the Russian

Federation and the Bank of Russia from the clients and their representatives during the identification of the clients, their representatives, beneficiaries, and beneficial owners and when updating their data. To request information on the insurance number of the individual personal account of the insured person in the system of obligatory pension insurance from the clients and their representatives during the identification of an individual client;

to take grounded and currently acceptable measures to determine the source of money and(or) other property when accepting to service and servicing clients;

- to refuse to conclude a bank account (deposit) agreement with a private individual or legal entity, foreign unincorporated entity in accordance with the credit institution's internal control rules should there be suspicions that such agreement is aimed at conducting the operations aimed at legalizing (laundering) criminally obtained incomes and terrorist financing;
- to cancel a bank account (deposit) agreement with a client if two or more decisions were taken within one calendar year to refuse to fulfill a client's instruction to conduct an operation based on Clause 11 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing ;
- to refuse to fulfill a client's instruction to conduct an operation with the exception of crediting the monetary resources to an account of a private individual or a legal entity, foreign unincorporated entity on which no documents have been presented to record information under the provisions of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing , as well as in case when the implementation of the internal control rules to counteract the legalization (laundering) of criminally obtained incomes and terrorist financing may arise suspicions of the personnel of the organization that conducts the operations with money or other property that such operation is aimed at legalizing (laundering) of criminally obtained incomes and terrorist financing;
- to entrust another credit institution, a federal post office, bank paying agent, communications service provider that has the right to independently provide mobile telephone communications services, certification centre accredited in the order prescribed by Federal Law No. 63-FZ, dated 6 April 2011, "On Electronic Signature" based on an agreement including a multilateral agreement (with payment system rules also included), with the identification or simplified identification for the purposes of making money transfers without opening a bank account, including electronic money as well as providing the said client –

		<p>private individual with electronic payment instruments;</p> <ul style="list-style-type: none"> - to entrust on a contractual basis a credit institution to perform identification or simplified identification of the individual customer and identification of the customer's representative, beneficiary and beneficiary owner for the purpose of concluding a consumer lending agreement with the customer where the loan is issued to the individual customer through cash transfer in compliance with the law on the national payment system; - to use data provided in a soft copy signed with the customer's enhanced encrypted and certified digital signature to identify a customer and (or) update information; - to use data from information systems of state authorities of the Russian Federation and public extrabudgetary funds, including those received as a soft copy signed with the enhanced encrypted and certified digital signature, to confirm reliability of data received during identification of a customer, its representative, beneficiary, beneficiary owner, and to update information about them; - to open customer accounts (deposits) without personal attendance of an individual who opens the account (deposit) or customer's representatives, except for the cases envisaged by the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing (in particular, if the individual customer has already been identified in the credit institution in personal attendance of the individual or the customer's representative, and if the individual representative of a corporate customer incorporated in compliance with Russian laws, capable of acting on behalf of the legal entity without power of attorney, has been identified in personal attendance by the credit institution where the account is being opened and the individual customer or the representative of the corporate customer are serviced, and the information related to the said individual customer or the representative of the corporate customer is updated in compliance with Sub-clause 3 of Clause 1 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing; - to use documents and data obtained during the identification of the respective individual customer and update of the information about this customer in the case stipulated by paragraph 7 of Clause 5 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing. 	
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		<p>4. Credit institutions are not allowed:</p> <ul style="list-style-type: none"> - to open and maintain accounts (deposits) for anonymous owners, that is, without a private individual or legal entity, foreign unincorporated entity presenting the necessary identification documents and information, as well as to open and maintain accounts (deposits) of those owners who use false names (pseudonyms); - to open accounts (deposits) for private individuals in the absence of the person opening an account (deposit) or his representative, except for the cases envisaged in the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing; - to establish and maintain relations with non-resident banks that have no permanent management bodies in the countries where they are registered; - to conclude with the customer a bank account (deposit) agreement in case of the failure of the customer or the customer's representative to present the documents and information necessary to identify the customer or the customer's representative in the cases stipulated by the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing. <p>5. Control over compliance by credit institutions with the requirements of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing is exercised by the Bank of Russia.</p> <p>6. The Bank of Russia establishes with the approval of an authorized body:</p> <ul style="list-style-type: none"> - the procedure for presenting information by credit institutions to the authorized agency on operations subject to mandatory control and on suspicious operations; - the qualification requirements for the executives responsible for the implementation of internal control rules; - the requirements for the training of personnel and identification of clients, their representatives, including sole executive body, beneficiaries or beneficial owners; - the requirements for the development of the internal control rules; - the time period during which persons who are entrusted with identification by the credit institution, according to Clause 1.5 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist 	
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		<p>Financing, should present to a credit institution full information received during the identification;</p> <ul style="list-style-type: none"> - the procedure for presenting by credit institutions to the authorized body following its request the information on the transactions of their clients, clients' beneficial owners as well as information on the flow of funds on the clients' accounts (deposits); - the procedure for credit institutions to present to the authorized body the information on the cases when credit institutions refused on the grounds stipulated in Article 7 of Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing to conclude a bank account (deposit) agreement with a private individual or a legal entity and (or) to conduct operations following client's instructions as well as on all cases when the credit institution cancelled a bank account (deposit) agreement with a client at its initiative; - the procedure for presenting by credit institutions to the authorized body the information on the measures taken to freeze (block) the monetary resources or other property of legal entities and private individuals and on the results of the identification among their clients those legal entities and private individuals in respect to which the measures to freeze (block) the monetary resources or other property are taken or should be taken; - requirements to the credit institutions which can be entrusted with the identification or simplified identification in compliance with Clause 1.5-2 of Article 7 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Terrorist Financing; - the procedure for communicating to credit institutions the cases of refusal to conclude bank account (deposit) agreement with the client, refusal to fulfill the client's instruction to conduct an operation, cases of cancelling the bank account (deposit) agreement with the customer in accordance with the information received from the authorized body. <p>7. The Bank of Russia may penalize credit institutions and their executives for the violation of the anti-money laundering and counter-terrorist financing law and take the following sanctions against them:</p> <ul style="list-style-type: none"> - in regard of credit institutions: <ul style="list-style-type: none"> - demand that the credit institution rectify the violations; - impose a fine; 	<p>Bank of Russia Regulation No. 321-P, dated August 29, 2008, "On the Procedure for Passing</p>
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		<ul style="list-style-type: none"> - place restrictions on certain banking operations conducted by the credit institution for a period of up to six months; - prohibit the credit institution from conducting certain banking operations included in its banking license for a period of up to one year; - prohibit the credit institution from opening branches for a period of up to one year; - revoke the banking license from the credit institution in case of the repeated violation within one year of the provisions of Article 6 and 7 (except Clause 3 of Article 7), 7.2 and 7.3 of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing and (or) the repeated violation within one year of the Bank of Russia regulations issued pursuant to this Federal Law; ● in regard to credit institution executives and employees responsible for the detection and (or) reporting on operations subject to mandatory control or operations that are under suspicion of being aimed at legalizing (laundering) of criminally obtained incomes and terrorist financing: <ul style="list-style-type: none"> - issue a warning; - impose a fine. <p>8. Obligation for legal entities to disclose information about their beneficiary owners are as follows:</p> <ul style="list-style-type: none"> - to hold information about their beneficiary owners and take reasonable and acceptable measures to reveal information about their beneficiary owners as required by paragraph two of Sub-clause 1 of Clause 1 of Article 7 of the Federal Law “On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing”; - to update information on their beneficiary owners and to document the obtained information on a regular bases, but at least once a year; - to store information about their beneficiary owners and the measures taken to reveal information about their beneficiary owners stipulated by paragraph two of Sub-clause 1 of Clause 1 of Article 7 of the Federal Law “On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing”, for at least five years after the receipt of this information; 	<p>Information by Credit Institutions to the Authorized Body, Stipulated by the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing”.</p> <p>Bank of Russia Ordinance No. 3041-U, dated August 23, 2013, “On the Procedure for Presenting Information by Credit Institutions to the Authorized Body on the Cases of Refusal to Conclude a Bank Account (Deposit) Agreement with a Customer and to Conduct Operations and on Cases when the Credit Institution Cancelled a Bank Account (Deposit) Agreement with</p>
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		<p>- to provide the available documented information about their beneficiary owners or the measures taken to reveal information about their beneficiary owners, stipulated by paragraph two of Sub-clause 1 of Clause 1 of Article 7 of the Federal Law “On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing”, at the request of an authorised agency or tax authorities;</p> <p>- to disclose information about beneficiary owners of a legal entity in the reports in cases and under procedure stipulated by the legislation of the Russian Federation.</p> <p>9. Individuals and legal entities being founders or participants of a legal entity or exercising other control over it are obliged to provide this legal entity with information required to reveal its beneficiary owners.</p> <p>10. A legal entity shall have the right to request information required to reveal its beneficiary owners from individuals and legal entities being founders or participants of this legal entity or exercising other control over it.</p> <p>III. Pursuant to the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing, the Bank of Russia issued a number of regulations aimed at countering the use of banking system for the purposes of legalization (laundering) of criminally obtained incomes and (or) terrorist financing, establishing:</p> <p>- the procedure for credit institutions to pass electronic information established by federal law to the authorized body (the Financial Monitoring Service, or Rosfinmonitoring) through special secured channels, using the cryptographic protection of information (authentication and enciphering codes), which precludes unsanctioned access by third persons to information transmitted;</p> <p>- the procedure for credit institutions to present to the authorized body the information on the cases when credit institutions refused to conclude a bank account (deposit) agreement with a client and to fulfill the client’s instruction to conduct an operation and on cases when the credit institution cancelled a bank account (deposit) agreement with a client at its initiative;</p>	<p>a Customer Client at its Initiative”.</p> <p>Bank of Russia Regulation No. 407-P, dated September 2, 2013, “On the Presentation by Credit Institutions at the Request of the Federal Financial Monitoring Service Electronic Information on Clients Operations, Beneficial Owners and Account (Deposit) Statements”.</p> <p>Bank of Russia Ordinance No. 4077-U, dated July 20, 2016, ‘On the Procedure for Submitting by Credit Institutions to the Authorised Body Data on Cases of Refusal to Conclude a Bank Account (Deposit) Agreement</p>
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		<ul style="list-style-type: none"> - the requirement for the formats and the procedure for presenting by credit institutions at the request of the Federal Financial Monitoring Service electronic information on clients operations, their beneficial owners and account (deposit) statements; - the requirements for credit institutions, which in compliance with Clause 1.5-2 of Article 7 of the Federal law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing may be tasked with the identification or simplified identification of an individual customer, identification of the representative of a customer, beneficiary, beneficiary owner, and requirements for microfinance companies, which in compliance with Clause 1.5-2 of Article 7 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing may task credit institution with identification or simplified identification; - the procedure for communicating to credit institutions and non-bank financial organisations supervised by the Bank of Russia of information provided by Rosfinmonitoring about refusal to carry out operations, conclude a bank account (deposit) agreement and (or) rescind a bank account (deposit) agreement with a customer due to the reasons envisaged by the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing; 	<p>and/or Cases of Termination a Bank Account (Deposit) Agreement with a Customer on the Initiative of a Credit Institution, and on Cases of Refusal to Fulfil a Customer's Instruction for a Transaction'.</p> <p>Bank of Russia Ordinance No. 3063-U, dated September 19, 2013, "On the Procedure for Reporting by Credit Institutions to an Authorized Body on the Measures to Freeze (Block) Funds and Other Property of Organizations and Individuals and Results of Identification among their Clients Organizations and Individuals against whom</p>
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		<p>- the requirement for the procedure for reporting by credit institutions to an authorized body on the measures to freeze (block) funds and other property of organizations and individuals and on the results of the identification among their clients those legal entities and private individuals in respect to which the measures to freeze (block) the monetary resources or other property are taken or should be taken;</p> <p>- the compulsory requirements for credit institutions to train and instruct personnel in countering the legalizing (laundering) of criminally obtained incomes and terrorist financing (hereinafter AML/CFT), which include:</p> <ul style="list-style-type: none"> • the requirement to draw up and approve by the chief executive of a credit institution an AML/CFT training program, the program implementation plan (the subjects of training, training period and persons responsible for training) and a list of divisions whose staff must undergo training in AML/CFT; • the requirement for a credit institution to conduct regularly the corresponding training sessions; • Ordinance No. 1485-U grants credit institutions the right to determine the subjects, contents and time periods of AML/CFT training for different divisions and establish the form and procedure for testing employees. <p>- qualification requirements for the executive responsible for AML/CFT and the staff of the corresponding division if such a division is formed under the guidance of such an executive.</p>	<p>Measures to Freeze (Block) Funds and Other Property Have Been Taken or Are to Be Taken”.</p> <p>Bank of Russia Ordinance No. 1485-U, dated August 9, 2004, “On the Requirements for the Training and Instruction of Personnel in Credit Institutions”.</p> <p>Bank of Russia Ordinance No. 1486-U, dated August 9, 2004, “On Qualification Requirements for Executives Responsible for the Observance of the Internal Control Rules for the Purpose of Countering the Legalisation (Laundering) of Criminally Obtained Incomes and</p>
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		<p>- the procedure for identifying clients, clients' representatives, beneficiaries and beneficiary owners and a list of data a credit institution must collect for the purpose of identifying various categories of clients (private individuals, legal entities and individual entrepreneurs, as well as private individuals engaged in private practice in compliance with Russian legislation).</p> <ul style="list-style-type: none"> • For the purpose of implementation by credit institutions the requirements of the Federal Law on Countering Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing, Regulation No. 499-P establishes requirements for identification (including simplified identification) by credit institutions of clients, clients' representatives (including the identification of the sole executive body as the client's representative), beneficiaries and beneficiary owners. • There is an established procedure for identifying clients, clients' representatives, beneficiaries and beneficiary owners, and updating their data, requirements to documents and information provided to the credit institution during the identification of said entities, as well as specifics for client identification in certain types of banking and other transactions. <p>- the time limits for credit institutions to communicate information received during the identification of an individual customer, their representative and (or) beneficiary by third parties.</p> <p>- requirements to credit institutions' internal control rules aimed at preventing legalizing (laundering) criminally obtained incomes and terrorist financing that stipulate, among other things:</p> <ul style="list-style-type: none"> - functions, rights and responsibilities of an official in charge of AML/CTF (a designated employee), unit in charge of AML/CTF; - the contents internal control programs; - signs of the unusual character of a transaction, on which credit institutions should implement the increased focus. <p>In pursuance of the aforesaid regulations, the Bank of Russia gives credit institutions recommendations on how they should organize internal controls for the purpose of AML/CTF.</p>	<p>Terrorist Financing and the Implementation of the Corresponding Internal Control Programs in Credit Institutions".</p> <p>Bank of Russia Regulation No. 499-P, dated October 15, 2015, "On the Identification by Credit Institutions of Customers, Customer Representatives, Beneficiaries and Beneficiary Owners in Order to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing".</p> <p>Bank of Russia Ordinance No. 2696-U, dated September 14, 2011, "On Establishing the Time Limits for Reporting Information Received</p>
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			<p>during Identification”.</p> <p>Bank of Russia Regulation No. 375-P, dated March 2, 2012, “On Requirements to a Credit institution’s Internal Control Rules to Prevent Money Laundering and Terrorist Financing”.</p> <p>Bank of Russia Ordinance No. 4078-U, dated July 20, 2016, ‘On the Requirements for Credit Institutions, Which May be Tasked with an Identification or a Simplified Identification, and Microfinance Companies, Which May Task Credit Institutions with an Identification or a Simplified Identification’.</p> <p>Bank of Russia Regulation No. 550-P, dated July 20, 2016, ‘On the Procedure</p>
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			<p>for Communicating to Credit Institutions and Nonbank Financial Institutions Information on the Cases of Refusal to Fulfil a Customer's Instruction for a Transaction, Refusal to Conclude and/or Terminate a Bank Account (Deposit) Agreement with a Customer'.</p> <p>Article 6.1 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing.</p>
<p>14.2</p>	<p>Exceptions from confidentiality regime in passing information to law enforcement agencies when suspicion of</p>	<p>The passing to the authorized body by organizations conducting operations with money and other property, their executives and employees information and documents in respect to operations and for the purposes and according to the procedure established by this Federal Law does not constitute a breach of official, banking, tax or commercial secrets or the secrecy of communications (as far as information on postal transfers of funds is concerned).</p>	<p>Clause 8 of Article 7 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing.</p>

	criminal activity arises		
15	Inspections		
15.1	Inspection requirements and the agency authorized to conduct inspections	<p>Inspections of credit institutions and their branches are conducted by the Bank of Russia for the purpose of performing its functions of banking regulation and banking supervision.</p> <p>The principal objective of the inspections of credit institutions and their branches by the Bank of Russia is to make an on-site evaluation of the general state of the credit institution or individual areas of its activity, including:</p> <ul style="list-style-type: none"> - the evaluation of the credit institution’s compliance with federal laws and Bank of Russia rules and regulations; - the evaluation of the accuracy of accounting (reporting) made by a credit institution and its branches; - the assessment of the level of risk and size of assets and liabilities and the evaluation of the quality of assets of a credit institution and its branches and the size and adequacy of the credit institution’s capital; - the assessment of bank management quality, including the assessment of risk management system and internal controls, financial resilience, economic position, financial standing, of a credit institution and its prospects; - detecting activities endangering the interests of creditors and depositors of a credit institution. <p>The inspections of credit institutions (their branches) conducted by the Bank of Russia do not fulfil the purposes of external audit and documentary revisions carried out under Russian legislation to gather evidence in criminal and other cases.</p> <p>With the participation of employees of the state corporation Deposit Insurance Agency (hereinafter referred to as the Agency), the Bank of Russia inspects the banks participating in the deposit insurance system for the purpose of evaluating their compliance with the requirements set by the Deposit Insurance Law and the Bank of Russia rules and regulations established in pursuance of this law.</p>	<p>Clauses 9 and 12 of Article 4 and Article 73 of the Bank of Russia Law;</p> <p>Clause 1.3 of Bank of Russia Instruction No. 147-I, dated December 5, 2013, “On the Procedure for Conducting Inspections of Credit Institutions and their Branches by Authorized Representatives of the Central Bank of the Russian Federation (Bank of Russia) registered by the Ministry of Justice on February 21, 2014 under No. 31391) (hereinafter referred to as Bank of Russia Instruction No. 147-D).</p>

		<p>Inspections of credit institutions and their branches may be conducted at the instruction of the Bank of Russia Board of Directors by audit firms.</p> <p>Russian legislation stipulates that the Bank of Russia cannot conduct more than one inspection of a credit institution or its branch on the same inspected subjects and for the same accounting period, except in the cases when an inspection is conducted:</p> <ul style="list-style-type: none"> - in connection with the reorganization or liquidation of a credit institution; - by the substantiated decision of the Board of Directors. The Board of Directors may pass such a decision to supervise the Bank of Russia regional branch which conducted an inspection or at the request of the corresponding Bank of Russia division with the objective of assessing the financial standing of a credit institution and the quality of its assets and liabilities. <p>A repeat inspection conducted by the substantiated decision of the Board of Directors is carried out with the participation of employees of the Bank of Russia Chief Inspection (hereinafter referred to as Chief Inspection) and other structural divisions of the Bank of Russia head office.</p> <p>An inspection may only cover the five calendar years of the activities of a credit institution or its branch preceding the inspection.</p>	<p>Articles 27 and 32 of the Deposit Insurance Law; Clause 1.1, Note “2” to Forms 1 and 2 of Annexes 1, 2, Note 3 to Form 1 of Annex 5 to Bank of Russia Instruction No. 147-I; Clauses 1.2, 2.2, 2.4, 2.5, 2.13, 3.3, 3.4, 3.7, 3.8, 4.1, 4.2, 4.4, 4.5, 4.7, 6.8, 7.4, 10.6 and Annexes 2, 4, 5 and 6 of Bank of Russia Instruction No. 149-I, dated February 25, 2014, “On Organising Inspections by the Central Bank of the Russian Federation (Bank of Russia)”¹ ((hereinafter referred to as Bank of Russia Instruction No. 149-I);</p>
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¹ Hereinafter, the information is adjusted for amendments introduced by Bank of Russia Ordinance No. 3900-U, dated December 16, 2015, “On Amendments to Bank of Russia Instruction No.149-I, dated 25 February 2014, ‘On Inspection Activity of the Central Bank of the Russian Federation (Bank of Russia)’”.

		<p>Inspections of credit institutions and their branches are conducted by Bank of Russia authorized representatives (employees), such as:</p> <ul style="list-style-type: none"> - employees of the Bank of Russia inspection divisions (Chief Inspection, including structural divisions of the Chief Inspection, which conduct inspections in one or several Russian federal districts (hereinafter referred to as interregional inspectorates), comprising regional inspectorates (hereinafter referred to as regional inspectorates) (hereinafter jointly referred to as Bank of Russia inspections divisions). - employees of other Bank of Russia divisions monitoring compliance by credit institutions with mandatory reserve requirements and the observance by credit institutions and their branches of Bank of Russia rules regulating the extension by the Bank of Russia of loans to credit institutions, including compliance with criteria established by Bank of Russia regulations for assets taken as security for Bank of Russia loans or used as collateral against Bank of Russia loans, as well as the accuracy of their assessment by a credit institution according to its internal documents on the evaluation of borrowers' financial position and credit risk (hereinafter referred to as assets compliance); the observance by credit institutions and their branches of federal foreign exchange laws and Federal Law No. 115-FZ, dated August 7, 2001, "On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism" and the related Bank of Russia regulations (hereinafter referred to as anti-money laundering and counter-terrorist financing laws) on cash circulation in relation to requirements for premises where operations with valuables are conducted, requirements for motor transport used for shipment and collection of the Russian currency in banknotes and coins (hereinafter referred to as cash) and requirements for cash counters used by credit institutions and their branches when processing Bank of Russia banknotes for customers (hereinafter referred to as cash circulation issues); compliance by payment system operators, payment infrastructure services operators, funds transfer operators that are credit institutions with requirements of Federal Law No. 161-FZ, dated June 27, 2011, "On the National Payment System" and Bank of Russia regulations taken under it (hereinafter referred to as the national payment system law), including requirements for information protection when making funds transfers; - other Bank of Russia employees (by the decision of the Bank of Russia executive authorized to appoint inspections). 	<p>Bank of Russia Ordinance No. 1542-U, dated January 13, 2005, "On the Specifics of Conducting Inspections of Banks with the Participation of Employees of the Deposit Insurance Agency" (hereinafter referred to as Bank of Russia Ordinance No. 1542-U).</p> <p>Part 2 of Article 73 of the Bank of Russia Law;</p> <p>Clauses 1.1, 1.6 and 10.1 of Instruction No. 147-I;</p> <p>Clause 1.2 of Instruction No. 149-I;</p> <p>Bank of Russia Ordinance No. 3463-U, dated November 30, 2014, "On the Specifics of Organizing and Conducting Inspections of Credit Institutions (Their Branches) by Audit</p>
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	<p>Agency employees may participate in inspecting banks.</p> <p>The main requirements set to preclude a conflict of interest in the course of inspecting credit institutions and their branches.</p> <p>The authorized representative of the Bank of Russia included in the working group as its head or member is required before the inspection of a credit institution or its branch has begun to report in form shown in Annex 15 to Bank of Russia Instruction No. 149-I to the Bank of Russia executive who has signed an order to conduct the inspection the following information about himself or herself, if there is such:</p> <ul style="list-style-type: none"> - if he (she) is related (parents, spouses, brothers, sisters, children, including adopted children, adoptive parents and also brothers, sisters, parents and children of spouses, including adopted children, and adoptive parents) to any shareholders (members) or members of the board of directors (supervisory board) of the credit institution, the chief executive of the credit institution or its branch, chief accountant or deputy chief accountant of the credit institution or its branch or head of the internal audit, head of the internal control service or another division of the credit institution or its branch responsible for internal control, if the persons indicated above can exert material influence on the decisions taken by the management of the credit institution (for the purposes of Bank of Russia Instruction No. 149-I, material influence is determined in compliance with Part 3 of Article 4 of the Banking Law; - if he (she) owns securities, shares (stakes) in the authorized capital of an inspected credit institution and (or) whether he or she is a member of the management of the inspected credit institution; - if they or the persons affiliated with them have any agreements with the inspected credit institution; - if they are representatives of third parties, including the inspected credit institution, at the Bank of Russia; - if the persons related to them have any funds deposited in the inspected credit institution or its branch and if (whether) they received any funds and property in the inspected credit institution or its branch. <p>The Bank of Russia official who has signed the inspection order examines information received by the Bank of Russia authorized representative and decides if it would be meaningful or necessary (pursuant to Sub-clause 8.3.1 of Instruction No. 149-I) to expel him or her from the working group.</p>	<p>Organizations at the Instruction of the Bank of Russia Board of Directors” (hereinafter referred to as Bank of Russia Ordinance No. 3463-U);</p> <p>Bank of Russia Regulation No. 442-P, dated November 30, 2014, “On the Procedure for Selecting Audit Organizations for Auditing of Credit Institutions (Their Branches) at the Instruction of the Bank of Russia Board of Directors” (hereinafter referred to as Bank of Russia Regulation No. 442-P);</p> <p>Parts 5 and 6 of Article 73 of the Bank of Russia Law; Clauses 1.8, 10.1 and 1.11 of Instruction No. 147-I.</p>
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		<p>An authorized representative of the Bank of Russia who owns securities, shares (stakes) in the authorized capital of an inspected credit institution and (or) is a member of its management may not be included in the working group.</p> <p>The authorized representative of the Bank of Russia may not be appointed as head of the working group or head the working group in the course of inspecting a credit institution or its branches in the following cases:</p> <ul style="list-style-type: none"> - if during the two calendar years that precede the inspection he (she) had labour relations with the inspected credit institution and (or) if during that period he (she) was a member of the board of directors (supervisory board) of the inspected credit institution; - if he (she) or the persons affiliated with him (her) have any agreements with the inspected credit institution (except the bank account agreement concluded for the purpose of effectuating settlements in operations conducted using bank cards); - if he (she) is related to the shareholders (members) of the inspected credit institution who hold more than one percent of its shares or to the members of the board of directors (supervisory board) of the credit institution, the chief executive of the credit institution or its branch, the chief accountant or deputy chief accountant or head of the internal audit, head of the internal control service or another division of the inspected credit institution or its branch responsible for internal controls, if the persons indicated above can exert material influence on the decisions taken by the management of the credit institution; - if he (she) represents the inspected credit institution at the Bank of Russia. <p>The Agency employees enlisted by the Bank of Russia to the inspection of a bank should report to the Agency the following information about themselves (if there is such):</p> <ul style="list-style-type: none"> if they are (he or she is) related (spouses, parents, children, including adopted children, adoptive parents, brothers, sisters, grandfathers, grandmothers and spouses' grandchildren) to bank shareholders (members), members of the board of directors (supervisory board) and also the sole executive body of the bank or his/her deputy, members of the collegiate executive body of the bank (hereinafter referred to as the bank manager), chief accountant of the bank or his/her deputy, managers and chief accountants (if there are any) of the bank's separate or internal divisions, if the persons indicated above can exert material influence on the decisions taken by the bank's management, and whether they are (he or she is) related to the head of the bank's 	<p>Article 73 of the Bank of Russia Law;</p> <p>Clause 1.5 and Section 2, Annexes 1 and 2 to Instruction No. 147-I;</p> <p>Clause 1.2 and Section 6 of Instruction No. 149-I.</p> <p>Articles 27 and 32 of the Deposit Insurance Law;</p> <p>Clause 1.1, Note "2**" of Forms 1 and 2, Annexes 1 and 2, Note "3" of Form 1, Annex 5 to Bank of Russia Instruction No. 147-I;</p> <p>Clauses 1.2, 6.8 and 7.4 of</p>
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	<p>internal control service;</p> <p>if they own stakes (shares) in the inspected bank or hold positions in the inspected bank and (or) sit on the board of directors (supervisory council) of the inspected bank;</p> <p>if he or she or the persons to whom he or she is affiliated has an agreement with the inspected bank;</p> <p>if any persons related to them keep any funds in the inspected bank and if they have received any funds or property from the inspected bank;</p> <p>if he or she is a representative of third parties, including the inspected bank, to the Bank of Russia or the Agency.</p> <p>Audit firms taking part in a tender for auditing a credit institution (its branch) shall meet the following criteria:</p> <p>they have experience in conducting credit institutions’ audits which are similar in a scale and subject to the suggested audit of a specific credit institution;</p> <p>they have not rendered to a credit institution audit services specified by Clauses 1-7 of Part 7 of Article 1 of the Federal Law “On Audit Activities” within three years preceding the year when a competitive selection takes place;</p> <p>they do not have (have not received within five years preceding the year when a competitive selection takes place) loans from the inspected credit institution;</p> <p>their parent and (or) subsidiary entities (if any) do not render (have not rendered within three years preceding the year when a competitive selection takes place) to the inspected credit institution audit services specified by Clauses 1-7 of Part 7 of Article 1 of the Federal Law “On Audit Activities”, as well as they do not have (have not received within five years preceding the year when a competitive selection takes place) loans from the inspected credit institution.</p> <p>Audit firms taking part in a tender for auditing a credit institution that is a member of a banking group shall meet the following criteria:</p> <p>they have not rendered to the parent credit institution of a banking group audit services specified by Clauses 1-7 of Part 7 of Article 1 of the Federal Law “On Audit Activities” within three years preceding the year when a competitive selection takes place;</p> <p>they do not have (have not received within five years preceding the year when a competitive selection takes place) loans from</p>	<p>Bank of Russia Instruction No. 149-I; Bank of Russia Ordinance No. 1542-U.</p> <p>Clause 8.3 Of Bank of Russia Instruction No. 149-I.</p> <p>Paragraph 2 of Clause 8.3 of Bank of Russia Instruction No. 149-I.</p> <p>Paragraph 3 of Clause 8.3 of Bank of Russia Instruction No. 149-I.</p> <p>Paragraph 4 of Clause 8.3 of Bank of Russia Instruction No. 149-I.</p> <p>Paragraph 5 of Clause 8.3 of Bank of Russia Instruction No. 149-I.</p> <p>Paragraph 6 of Clause 8.3 of Bank of Russia Instruction No. 149-I.</p> <p>Paragraph 7 of Clause 8.3 of Bank of Russia Instruction No. 149-I.</p>
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	<p>the parent credit institution of a banking group.</p> <p>The employee of an audit firm offered to be included into a group of auditors is required to report to an audit organization the following information about himself or herself, if there is such:</p> <p>if he or she has (had within three years preceding the year when an inspection of a credit institution (its branch) is conducted) employment relations with the inspected credit institution and (or) has been the member of the board of directors (supervisory board) of the inspected credit institution, an executive of the inspected credit institution (its branch), including an accountant or other person responsible for the accounting and reporting of the inspected credit institution (its branch);</p> <p>if he or she has rendered to a credit institution (its branch) services specified by Part 7 of Article 1 of the Federal Law “On Audit Activities” within three years preceding the year when an inspection of a credit institution (its branch) is conducted;</p> <p>if he (she) is related (parents, brothers, sisters, including half-blooded ones, spouses, children, including adopted children, adoptive parents, grandfathers, grandmothers, grandchildren and parents, brothers, sisters, including half-blooded ones, children, including adopted children, adoptive parents, grandfathers, grandmothers, grandchildren of spouses) to any shareholders (members) or members of the board of directors (supervisory board) of the inspected credit institution, as well as a person performing functions of a sole executive body of the inspected credit institution, his or her deputies, the members of the collegiate executive body of the inspected credit institution, the chief executives of the separate units of the inspected credit institution, their deputies, with the chief accountants or deputy chief accountants of the credit institution and the separate units of the inspected credit institution, with the chief executives and chief accountants (if any) of internal structural units of the inspected credit institution, with the head of the internal control service or another division of the credit institution or its branch responsible for internal control, if the persons indicated above can exercise control over or exert material influence on the inspected credit institution (for the purposes of this Regulation, control and material influence are understood as it is defined in Part 3 of Article 4 of the Banking Law;</p> <p>if he (she) owns securities, shares (stakes) in the authorized capital of the inspected credit institution;</p> <p>if he (she) has contract relations with the inspected credit institution or affiliated with persons having contract relations with the inspected credit institution;</p>	<p>Sub-clause 8.3.1 of Bank of Russia Instruction No. 149-I.</p> <p>Clause 8.4 of Bank of Russia Instruction No. 149-I.</p> <p>Clause 3.5 of Bank of Russia Ordinance No. 1542-U.</p> <p>Clause 3.2 of Bank of Russia Regulation No. 442-P.</p> <p>Clause 3.8 of Bank of Russia Regulation No. 442-P.</p>
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	<p>credit institutions and their branches at the inspectorate’s location,</p> <ul style="list-style-type: none">- the head (chairman) of a Bank of Russia regional branch, his deputies, including the head of the Bank of Russia main regional branch (his deputies), the executives of the divisions operating within the Bank of Russia main regional branch, divisions - national banks, excluding the heads of Divisions 1-4 of the Central Bank of the Russian Federation Main Branch for the Central Federal District, Moscow, (hereinafter referred to as the division, division – national bank of the Bank of Russia main regional branch) (their deputies) (hereinafter referred to as the head of a Bank of Russia regional branch), who has the right to sign orders to inspect credit institutions and their branches supervised by the Bank of Russia regional branch (Bank of Russia main regional branch), or supervised with the participation of this division, division – national bank of the Bank of Russia main regional branch and (or) orders to conduct any inspections of the structural units of a credit institution and its branch located outside the credit institution and its branch;- the head of a cash settlement center of a Bank of Russia regional branch, the heads of Divisions 1-4 of the Central Bank of the Russian Federation Main Branch for the Central Federal District, Moscow, who have the right to sign orders to inspect the credit institutions and their branches supervised by this Bank of Russia regional branch or supervised with the participation of this Bank of Russia regional branch, Divisions 1-4 of the Central Bank of the Russian Federation Main Branch for the Central Federal District, Moscow, on the following aspects of their activities for the specific period of time: their compliance with mandatory reserve requirements; to inspect the eligibility of assets taken as security against Bank of Russia loans or used as collateral against Bank of Russia loans according to Bank of Russia regulations, as well as the accuracy of their estimate by a credit institution in compliance with its internal documents on the assessment of the financial position of borrowers and credit risk evaluation, to inspect an authorized bank (its branch) conducting individual banking operations with banknotes, treasury notes and coins which are in circulation and are the legal tender in a foreign state (group of foreign states), as well as with cash being or have been withdrawn out of circulation but is to be exchanged (hereinafter referred to as foreign currency) and operations with cheques, including traveller’s cheques), whose nominal value is denominated in foreign currency, which involve private individuals (hereinafter referred to as foreign exchange and cheque transactions), and to inspect the credit institution and its branch complying with the Bank of Russia regulations on cash circulation issues.	<p>Sections 1, 2, 3, 7, 8, 10 of</p>
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		<p>The Bank of Russia has established requirements for organizing and conducting inspections and for making inspection reports. It has also stipulated the rights, duties and responsibility of Bank of Russia authorized representatives and the duties of a credit institution when it is being inspected, making special provisions for inspections conducted with the following objectives:</p> <ul style="list-style-type: none"> - to make sure that a credit institution complies with the mandatory reserve requirements; - supervision of operations with foreign exchange and cheques conducted by an authorized bank (its branch); - control over cash circulation; - compliance by credit institutions with the requirements of the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorist Financing; - compliance by banks covered by the deposit insurance system of requirements set by the Deposit Insurance Law and Bank of 	<p>Instruction No. 147-I; Sections 2-4, 9 and 10 of Instruction No. 149-I. Clauses 1.6, 8.5 of Instruction No. 147-I; Clauses 1.7, 8.2, 10.6 of Instruction No. 149-I, Clauses 6.1, 6.6-6.9 of Bank of Russia Regulation No. 342-P, dated August 9, 2009, “On the Required Reserves for Credit Institutions”.</p> <p>Clauses 1.6, 8.5 of Instruction No. 147-I; allowing for the specific requirements of Bank of Russia Instruction No. 136- I, dated September 16, 2010, “On the Procedure for Conducting by Authorized Banks (Branches) Individual</p>
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		<p>Russia rules and regulations established in pursuance of this law.</p> <p>- inspection of foreign subsidiaries, branches and representatives of authorized banks.</p> <p>The powers to co-ordinate interregional inspections by the Inspector-General of the Chief Inspection have been specified.</p> <p>The Bank of Russia Chief Inspection has been granted (within their competence) the right to issue regulations setting special procedures for conducting inspections by Bank of Russia inspection and structural divisions.</p>	<p>Types of Banking Operations with Foreign Exchange and Cheques, Including Traveller's Cheques, Denominated in Foreign Currency, with the Participation of Private Individuals”;</p> <p>Clauses 1.7, 8.2, 10.6, 10.8 of Instruction No. 149-I.</p> <p>Clauses 1.6, 2.5, 8.5 of Instruction No. 147-I;</p> <p>Clauses 1.7, 8.2, 10.6 of Instruction No. 149-I.</p> <p>Clauses 1.12, 4.4, 7.5, 8.1, 8.5, 9.7 of Bank of Russia Instruction No. 147-I;</p> <p>Clauses 1.2, 10.7 and 10.8 of Bank of Russia Instruction No. 149-I.</p> <p>Article 27 and Article 32 of the Deposit Insurance Law;</p> <p>Clauses 1.1 and 1.2 and</p>
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			<p>Note “2**” to Forms 1, 2 of Annexes 1, 2 and Note 3 to Form 1 of Annex 5 to Instruction No. 147-I; Clauses 1.2, 2.2, 2.5, 2.6, 2.13, 3.3, 3.4, 3.7, 3.8, 4.1, 4.2, 4.5, 4.7, 6.8, 7.4 and 10.6 of Annexes 2, 4, 5 and 6 of Instruction No. 149-I; Ordinance No. 1542-U.</p> <p>Section 10 of Instruction No. 147-I.</p> <p>Clauses 1.3, 2.8, 2.14, 3.3, 3.4, 4.2, 4.3, 4.5, 4.7, 4.15, 6.1, and 7.1, Annex 1-4, 7 of Bank of Russia Instruction No. 149-I; Sub-clause 1.3.1. of Instruction No. 149-I.</p>
15.2	The frequency of inspections in a bank	<p>Inspections of credit institutions are conducted at least once in 24 months.</p> <p>A periodicity of inspections of a credit institution, including that of being a member of a banking group or a bank holding</p>	Clause 1.4 of Instruction No. 147-I.

		<p>company, and a list of structural divisions being inspected within the audit of the credit institution, as well as a list of activities and (or) issues of activities to be inspected are determined taking into consideration the following factors:</p> <ul style="list-style-type: none"> - the financial standing of a credit institution and the prospects for its activities, including its exposure to risks, management quality and specifically the assessment of risk management system and internal controls; - the accuracy of accounting (reporting) by a credit institution and its branch; - the results of previous inspections of a credit institution and its branch. <p>A periodicity of inspections of the parent credit institution of a banking group is determined taking into consideration the assessment of:</p> <ul style="list-style-type: none"> the quality of risk management and capital systems and internal controls of the banking group; the adequacy of capital and liquidity of the banking group, their conformity with the character and scale of the banking group's operations, the level and profile of assumed risks; the reliability of consolidated financial statements of the banking group and the disclosure of an audit report on it by the parent credit institution of a banking group; information on the activities of the banking group, including data on the members of the banking group other than credit institutions. 	
15.3	Access to information when conducting inspections	<p>The authorized representatives (employees) of the Bank of Russia have the right to receive and verify reports and other documents of credit institutions and their branches and copy them whenever necessary for the purpose of attaching them to inspection materials.</p> <p>When conducting inspections of credit institutions and their branches, the head and members of the working group may request and receive from the chief executive and employees of the credit institution under inspection or its branch all the documents (information) for the inspected period necessary for the fulfilment of the purposes of the inspection, including:</p> <ul style="list-style-type: none"> - the founding and other documents pertaining to the state registration of the credit institution and the receipt of a banking license; 	<p>Part 3 of Article 73 of the Bank of Russia Law.</p> <p>Clauses 2.5-2.9, 3.4, Annex 5 to Instruction No. 147-I, Section 3 of Bank of Russia Ordinance No. 3463-U.</p>

		<ul style="list-style-type: none"> - organizational and executive documents, instructions, rules and regulations and other internal documents of a credit institution and its branch; - materials of internal control and (or) internal audit service of a credit institution or its branch, including statements (reports) by internal controls and (or) internal audit, presented to the chief executive of a credit institution or its branch and its board of directors (supervisory board), and the results of their examination; - analytical and synthetic accounting documents of a credit institution or its branch compiled under Bank of Russia Regulation No. 385-P, dated June 16, 2012, “On Accounting Rules for Credit Institutions Located in the Russian Federation”, including the documents on operations, accounts and deposits of individuals, legal entities, individual entrepreneurs and individuals engaged in private practice according to Russian legislation; primary documents and ledgers of a credit institution or its branch accepted for accounting; data on client accounts opened and closed by a credit institution or its branch; - information on property and liabilities of a credit institution and their flow, including data on operations conducted and other transactions registered in analytical and synthetic accounting documents and other information stipulated by Bank of Russia Regulation No. 397-P, dated February 21, 2013, “On the Procedure for Electronic Database Creation, Maintenance and Storage” (hereinafter referred to as Bank of Russia Regulation No. 397-P); - electronic accounting and other information of a credit institution and its branch, including data from automated bank and (or) information systems, stand-alone computer systems and PCs of a credit institution and its branch in formats set by the Bank of Russia, as well as in a form of readouts (data set entries) determined by a working group (hereinafter referred to as readouts (data set entries)), including transcriptions (format descriptions) of readouts (data set entries); - project and (or) working documentation for automated bank and (or) information systems, automated bank and (or) information systems, stand-alone computer systems, PCs and other facilities, electronic databases and information technologies of a credit institution and its branch, as well as their documents on their maintenance and operation; - accounting, statistical and financial statements of a credit institution or its branch; - memos, notes and oral and written clarifications by the chief executive and employees of a credit institution or its branch; 	<p>Bank of Russia Ordinance No. 3462-U, dated November 30, 2014, “On the Structure and the Formats of Submission of Electronic Accounting and Other Information of Credit Institution (Its Branch)”.</p>
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		<ul style="list-style-type: none"> - auditor's reports on the financial (accounting) statements of a credit institution or its branch, compiled in compliance with the federal audit rules (standards) and Bank of Russia regulations; - statements and other materials on the inspections of a credit institution or its branch, conducted by the Bank of Russia and (or) the public and law enforcement authorities (hereinafter referred to as public authorities), as well as regional authorities, including inspections to verify that the given credit institution and its branch comply with Russian legislation; - agreements concluded by a credit institution or its branch; - documents on foreign exchange operations conducted by a credit institution or its branch, as well as documents and information kept in foreign exchange control files; - documents on compliance by a credit institution or its branch with Russian legislation on anti-money laundering and counter-terrorist financing; - documents (information) on cash circulation issues; - documents (information) confirming that a bank which is a payment system operator organises and exercises control over the compliance with the rules of the payment system by its participants and operators of payment infrastructure services; - documents (information) confirming that a bank that is a funds transfer operator exercises control over the compliance by a bank payment agent with its engagement terms set by Article 14 of Federal Law No. 161-FZ, dated June 26, 2011, "On the National Payment System" and an agreement between a bank and a bank payment agent; - records of video monitoring (if any); - other documents (information) kept by a credit institution or its branch, necessary for conducting an inspection (at the discretion of the head of the working group). <p>In addition, the aforementioned persons have the right:</p> <ul style="list-style-type: none"> - to require a bank (its branch) to present copies of documents (information) and (or) make copies of documents of a credit institution or its branch and take them out of the office of the credit institution or its branch for the purpose of attaching them to inspection materials; 	
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- to require a credit institution or its branch to demonstrate and explain the functioning and resources of the automated banking and (or) information systems, stand-alone computer systems, PCs and other facilities, electronic databases, as well as to make written or oral explanations about their development, installation, introduction, standardization and operation, including information protection when making funds transfers and storing information under Bank of Russia Regulation No. 397-P;

- to gain access to the automated banking and (or) information systems, stand-alone computer systems, PCs, video monitoring systems and other facilities, electronic databases of a credit institution or its branch with the objective of scanning and (or) sampling the necessary information, as well as recording to removable media electronic documents (information) of a credit institution or its branch, readouts (data set entries), including the ledgers and other information kept in the automated banking and information systems, stand-alone computer systems, PCs and other facilities, electronic databases and the interpretation of these records (description of formats);

- to demand that a commission of a credit institution or its branch examine in the presence of the head and (or) members of the working group cash, foreign currency and other valuables and register the results of the examination of cash in accordance with Bank of Russia regulations.

In case of inspecting the operations of the structural divisions of an authorized bank (its branch) with foreign currency and cheques, the head and members of the working group have the right to require a senior officer of the structural division of the authorized bank (its branch) to make piece and sheet count of the balances of foreign currency, cheques and cash of this division (branch) despite its location in their presence;

- to witness (including, together with a representative of a credit institution (its branch)) credit institution's (its branch's) operations and other transactions with third parties (including, those made with the use of payment terminals of bank paying agents (sub-agents), if the third party has no objections, to check the credit institution's (its branch's) compliance with the legislation of the Russian Federation and Bank of Russia regulations;

- to register credit institution's (its branch's) operations and other transactions with third parties in any ways (unless concealed in nature), including through the use of special technical devices with photo and video properties, and by compiling notes in free form, receiving documents (copies thereof) from customers of the inspected credit institution (its branch), bank paying

Clause 5.9 of Bank of
Russia Instruction No. 147-
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		<p>agents (sub-agents), if necessary, on the basis of requests for documents (information).</p> <p>The documents (information) of a credit institution or its branch (including electronic documents (information) and readouts (data set entries) that are necessary for an inspection are presented to the head and (or) members of the working group at the latter's request in writing.</p> <p>At the request of the head and (or) members of the working group documents (information) of the credit institution or its branch made in English (their copies) are presented by the credit institution or its branch with their translation into Russian.</p> <p>If necessary, an application for presenting documents (information) includes a requirement for providing full cooperation during an inspection.</p> <p>Based on a motivated request of a credit institution or its branch, the head of the working group is entitled to extend (not to extend) the period of presenting documents (information) or providing cooperation during an inspection set in the application.</p> <p>The head of the working group has the following powers:</p> <ul style="list-style-type: none"> - to request from a credit institution or its branch a separate office space for a working group that complies with public workplace safety and health standards stipulated by Russian Labor Code and Federal Law No. 52-FZ, dated March 30, 1999, "On Sanitation and Epidemiological Public Welfare", sanitation rules and facilities necessary for an inspection; - to demand a confirmation of the ability of an inspected credit institution to compile the documents whose submission is compulsory in the events or circumstances stipulated by federal laws or Bank of Russia rules and regulations, including the register of a bank's obligations to depositors, which is subject to examination and compiled in the form and within the time periods established by Bank of Russia Ordinance No. 1417-U, dated April 1, 2004, "On the Form of the Register of Bank Obligations to Depositors"; - to request from shareholders (members) of an inspected credit institution, its customers and correspondents, outsourced bank payment agents and payment infrastructure service operators other than credit institutions the documents (information) necessary for establishing actual circumstances, including the confirmation of data contained in the documents (information) received from the inspected credit institution or its branch; - to request from a credit institution or its branch to carry out other actions to aid during an inspection determined by an 	<p>Clause 2.7, Annex 5 to Instruction No. 147-I, Clause 3.1 of Bank of Russia Ordinance No. 3463-U.</p> <p>Clause 2.8, Annex 5 to Instruction No. 147-I.</p>
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		<p>application for presenting documents (information).</p> <p>The head of the Chief Inspection, his/her deputies, the Inspector General of the Chief Inspection and the head of a Bank of Russia branch are entitled upon a petition of an executive of a Bank of Russia structural division who is inspecting a credit institution or its branch or a head of a working group to request documents (information) necessary to find facts, i. a. to confirm data contained in the documents (information) received from the inspected credit institution or its branch:</p> <ul style="list-style-type: none"> - from other credit institutions that are the participants of the payment system the operator of which is the inspected credit institution or engaged by the inspected credit institution as payment infrastructure service operators; - from other credit institutions other than customers and correspondents of the inspected credit institution or its branch with which the accounts of customers (their counterparties) and correspondents of the inspected credit institution (its branch) are (were) opened; - from federal authorities, including the Federal Tax Service according to a procedure stipulated by an agreement on cooperation between the Bank of Russia and federal authorities(if any), as well as a Bank of Russia rules and regulations. <p>The petition by an executive of a Bank of Russia structural division who is inspecting a credit institution or its branch or a head of a working group to a Bank of Russia employee who has under this Clause to request the documents (information) contains a draft application for presenting documents (information).</p> <p>The chief executive and staff of the inspected credit institution or its branch must ensure that the head and members of the working group have access to the documents (information) needed to conduct an inspection and to the automated banking and (or) information systems,stand-alone computer systems, PCs and other facilities, electronic databasescredit institution or its branch so they can scan and sample data and receive on paper and electronic copies of documents (information), including those stored in the automated banking and (or) information systems, stand-alone computer systems, PCs and other facilities, electronic databases, registers of electronic documents (information) and readouts (data set entries) for each removable media.</p> <p>In addition, a credit institution or its branch must fulfil the requests for documents (information) needed to conduct an inspection in full (including in relation to the structure and formats, as well as descriptions of formats of presenting requested documents (information) and within the time period set in the request.</p>	<p>Clauses 3.3 and 3.4 of Instruction No. 147-I; Clause 4.1 of Bank of Russia Ordinance No. 3463-U.</p> <p>Clause 3.4 of Instruction No. 147-I.</p>
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		<p>If the documents (information) are not available and (or) other circumstances arise preventing their provision within the time period established in the request or circumstances arise preventing the credit institution or its branch to aid in conducting the inspection, the chief executive of the credit institution or its branch, chief accountant or persons acting for them should:</p> <p>explain to the head of the working group in writing before the expiry of the term set for the provision of the documents (information) the reasons for the failure to provide them;</p> <p>if necessary, a reasoned request for extended period of presenting documents (information) by a credit institution or its branch or its support to conducting the inspection.</p> <p>The credit institution has no grounds for failing to provide the documents (information) needed to conduct an inspection if they contain banking, commercial, official and other secrets and personal data.</p> <p>Information containing state secrets is requested and passed to the working group in line with the procedure established by federal laws.</p> <p>The authorized representatives of the Bank of Russia are liable under federal laws for the divulgence of information they receive during the inspection of a credit institution or its branch, which leads to the breach of banking, commercial, official or other secrets.</p>	<p>Clause 2.9 of Instruction No. 147-; Clauses 1.9 and 3.7 of Bank of Russia Ordinance No. 3463-U.</p>
15.4	Powers to enlist external experts	<p>Audit firms may conduct inspections of credit institutions or their branches on the instructions of the Bank of Russia Board of Directors.</p> <p>Inspections designed to verify how banks covered by the deposit insurance system comply with the requirements set by the Deposit Insurance Law and Bank of Russia regulations issued in pursuance of this Law are conducted with the participation of Agency employees.</p>	<p>Part 2 of Article 73 of the Bank of Russia Law; Clause 1.1 and Annex 6 to Instruction No. 147-I; Clause 1.2 of Instruction No. 149-I; Bank of Russia Ordinance No. 3463-U; Bank of Russia Regulation No. 442-P. Articles 27 and 32 of the</p>

			<p>Deposit Insurance Law; Clause 1.1, Note “2**” of Forms 1 and 2 of Annexes 1, 2 and Note 3 of Form 1 of Annex 5 to Instruction No. 147-I; Clauses 1.2, 2.2, 2.5, 2.6, 2.13, 3.3, 3.4, 3.7, 3.8, 4.1, 4.2, 4.5, 4.7, 6.8, 7.4, 10.6 of Annexes 2, 4, 5 and 6 to Instruction No. 149-I; Ordinance No. 1542-U.</p>
15.5	Powers to conduct unscheduled inspections	<p>Inspections of credit institutions and their branches are conducted in accordance with the Summary Annual Plan of Inspections of Credit Institutions and their Branches, drawn up for the next calendar year (hereinafter referred to as the Summary Plan). If necessary, changes are made to the Summary Plan or unscheduled inspections are conducted.</p> <p>The reasons for conducting unscheduled inspections of credit institutions and their branches are as follows:</p> <ul style="list-style-type: none"> - evidence that credit institutions or their branches have broken federal laws and Bank of Russia regulations and instructions, including the failure by credit institutions that are payment system operators and payment infrastructure service operators to comply with Bank of Russia instructions to remedy breaches which impact the payment system uninterrupted operations; - a change in the financial soundness, economic position, financial standing of credit institutions (hereinafter the financial standing of a credit institution) and the prospects for their activities, including their exposure to risks, governance quality, the assessment of risk management and internal controls, among other things; - evidence of possible inaccuracies in accounting (reporting) by credit institutions or their branches and a delay of more than 15 	<p>Section 2 of Instruction No. 149-I.</p> <p>Clauses 2.15 and Section 3 of Instruction No. 149-I, Section 4 of Instruction No. 149-I.</p>

		<p>days in presenting reports by credit institutions or their branches to the Bank of Russia;</p> <ul style="list-style-type: none"> - the need to verify the fulfilment by credit institutions of their obligations, including the obligation to carry out a financial rehabilitation plan; - a request by credit institutions to the Bank of Russia to give them a deferment in depositing required reserves with the Bank of Russia; - an appeal by federal and regional authorities and enforcement bodies in cases stipulated by federal laws; - an appeal by central banks and (or) other foreign supervisory authorities, which supervise the banking system and (or) oversee the national payment systems in foreign states; - cases established by federal laws and (or) Bank of Russia regulations, including those regulating the procedure for extending loans to credit institutions (placing bank deposits with credit institutions) by the Bank of Russia, federal and regional authorities and enforcement bodies and (or) organizations and the procedure for conducting by the Bank of Russia repo and currency swap transactions with credit institutions and issuing guarantees by the Bank of Russia and federal and regional authorities and enforcement bodies and (or) organizations; - proposals by the Deposit Insurance Agency in the cases stipulated by Article 27 of the Deposit Insurance Law and Bank of Russia Ordinance No. 1542-U; - other reasons for conducting inspections of credit institutions and their branches. <p>Unscheduled inspections of credit institutions and their branches are conducted:</p> <ul style="list-style-type: none"> - by the decisions taken by the Bank of Russia Board of Directors, the Governor of the Bank of Russia or a person acting for him and the Bank of Russia Banking Supervision Committee and Financial Supervision Committee; - by the decisions taken by the Bank of Russia management at the proposal of Bank of Russia divisions; - by the decisions taken by Bank of Russia management on the Agency's proposals for conducting unscheduled inspections of banks pursuant to Clause 2.7 of Bank of Russia Ordinance No. 1542-U; - by the decisions taken by the heads of Bank of Russia regional branches for conducting unscheduled inspections pursuant to Clauses 4.3, 4.10 – 4.14 of Bank of Russia Instruction No. 149-I, including the decisions taken by the heads of divisions, 	<p>Section 27 of the Deposit Insurance Law; Clauses 2.7-2.9 of Bank of Russia Ordinance No. 149-I.</p> <p>Clause 4.2 of Bank of Russia Instruction No. 149-I; Clause 1.6 of Bank of Russia Ordinance No. 3463-U.</p>
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		<p>Article 20 of the Banking Law;</p> <ul style="list-style-type: none"> - when there are grounds for inspecting the implementation of bankruptcy-prevention measures by a credit institution pursuant to Clause 4.2 of Bank of Russia Ordinance No. 1650-U, dated December 30, 2005, “On the Procedure for Carrying out Measures by the Bank of Russia Regional Branches to Oversee the Implementation of Insolvency (Bankruptcy) Prevention Measures by Credit Institutions”; <li style="padding-left: 20px;">- when there are grounds for conducting an inspection in the cases stipulated by Article 14 of Bank of Russia Instruction No. 135-I of April 2, 2010, “On the Procedure for Taking a Decision by the Bank of Russia on the State Registration of Credit Institutions and on Licensing them to Conduct Banking Operations”; - if a Bank of Russia regional branch has grounds to check the lawfulness of the payment made by the acquirers of shares (stakes) in a credit institution in accordance with the procedure set in Clause 17.6 of Bank of Russia Instruction No. 135-I; <ul style="list-style-type: none"> - if a Bank of Russia regional branch has been informed by a credit institution about its merger or acquisition pursuant to Bank of Russia Regulation No. 386-P, dated August 29, 2012, “On the Reorganization of Credit Institutions by Merger and Acquisition”; - when a Bank of Russia regional branch is considering a credit institution’s request for permission to have a subsidiary in a foreign state in accordance with Bank of Russia Regulation No. 290-P, dated July 4, 2006, “On the Procedure for Issuing Bank of Russia Permission to Credit Institutions to Have Subsidiaries in a Foreign State”; - when there are grounds for inspecting credit institutions and their branches by a Bank of Russia regional branch in accordance with the Bank of Russia procedures for extending Bank of Russia loans to credit institutions, including the issue of eligibility of assets used as collateral; - in other cases when the necessity (possibility) of making this decision is established by federal laws and (or) Bank of Russia rules and regulations. <p>The inspection of the internal division of an authorized bank or its branch carried out for examining its cash and chequer operations and the inspection of the branch of a credit institution for verifying the correctness of the accounting of obligations in its balance sheet are conducted on the basis of the professional judgment of the Bank of Russia regional branch supervising</p>	<p>Clause 4.3 of Instruction No. 149-I.</p> <p>Clauses 7.1, 4.11 and 4.1 of Bank of Russia Instruction No. 149-I.</p>
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		<p>the respective authorized bank (its branch) or a credit institution and are unscheduled, as a rule.</p> <p>In case a Bank of Russia branch has information on the signs of violation by a credit institution of Bank of Russia regulations on cash circulation issues, including that of received from the public and regional authorities and enforcement bodies and contained in an inspection application by the public authorities on cash loss, theft, and an assault on the credit institution's (its branch's) employees in the premises where operations with the valuables of the credit institution (its branch) are conducted, and/or as during cash transfer, collection, and/or in case of repeated detection of unsound Bank of Russia banknotes bearing no sign of forgery or bearing signs of forgery of Bank of Russia banknotes in the stack of banknotes of the credit institution (its branch), as well as if there are reasons to conduct testing of collators used by the credit institution to process Bank of Russia banknotes to be issued to customers, a decision to conduct an unscheduled inspection on cash circulation issues may be taken:</p> <p>by the head of a Bank of Russia regional branch supervising the credit institution to conduct an unscheduled inspection of the credit institution (its branch);</p> <p>by the head of a Bank of Russia regional branch supervising an internal structural division of the credit institution (its branch) to conduct an unscheduled inspection of the internal structural division of the credit institution (its branch).</p>	<p>Clause 4.13 of Bank of Russia Instruction No. 149-I.</p>
16	Inspections		
16.1	Powers to demand additional information and data	<p>To perform its functions, the Bank of Russia according to a list approved by its Board of Directors has the right to request and receive from credit institutions, the parent organizations of banking groups and bank holding companies information on their activities, including information on the members of banking groups and bank holding companies other than credit institutions and demand an explanation about the information received.</p> <p>The Bank of Russia has the right to request the credit institutions to develop and submit financial recovery plans, stipulating, among other things, measures to ensure the compliance with the requirements of Bank of Russia regulations, as well as to make amendments to the financial recovery plans that provide for meeting requirements for their contents.</p> <p>Credit institutions that are the parent organizations of banking groups have the right to develop financial recovery plans of the banking groups and make amendments to them.</p>	<p>Articles 57, 57.1, 57.2, 57.3 and 61 of the Bank of Russia Law.</p>

		<p>Systemically important credit institutions are determined using methods specified by a Bank of Russia regulation.</p> <p>The Bank of Russia has the right to set for the systemically important credit institutions a procedure and limits for liquidity ratios.</p> <p>Systemically important credit institutions are obliged to develop and present to the Bank of Russia financial recovery plans and to amend them.</p> <p>The Bank of Russia makes the assessment of the financial recovery plans and amendments thereto.</p> <p>Requirements for the contents of financial recovery plans, and the procedure and deadlines for their submission to the Bank of Russia, as well as amendments thereto and the procedure for their assessment are specified by a Bank of Russia regulation.</p> <p>Based on the financial recovery plans submitted by the systemically important credit institutions, the Bank of Russia works out plans of action against these credit institutions specifying measures in case the efforts envisaged by these plans will not result in their financial recovery.</p> <p>To compile banking and monetary statistics, Russia's balance of payments and financial account in the system of national accounts, as well as to analyze economic situation, the Bank of Russia has the right to request and receive from federal executive bodies, their territorial bodies and legal entities the necessary information on a gratis basis.</p> <p>The Bank of Russia specifies requirements for risk and capital management systems and internal controls of credit institutions and banking groups, as well as qualification requirements for a head of the risk management service, heads of internal audit and internal controls of credit institutions and the parent credit organization of a banking group.</p> <p>The Bank of Russia makes an assessment according to a procedure established by its regulation of the quality of risk and capital management systems and internal controls of a credit institution and banking group, their capital adequacy and liquidity and their conformity with the nature and scale of operations conducted by a credit institution and banking group, level and combination of risks assumed, including the determination of the volume and the structure of operations as criteria for such assessment. Following the results of the assessment, in case the Bank of Russia identifies that the risk and capital management systems and internal controls, capital and liquidity adequacy of the credit institution (banking group) fail to comply with Bank of Russia requirements and (or) the nature and scale of operations conducted, level and combination of risks assumed, the Bank</p>	
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of Russia is required to send an order to them to adjust their risk and capital management systems and internal controls in accordance with its requirements, the nature and scale of operations conducted, level and combination of risks assumed and (or) to set individual maximum values of required ratios for them.

The Bank of Russia has the right according to a procedure established by its regulation to assess the credit institution's compensation system in part relating to risk management results as a whole and the compensation of persons mentioned by Article 60 of this Federal Law, the head of the risk management service, heads of internal audit and internal controls of the credit institution and other executives (employees) that make decisions on conducting operations and other transactions which may impact its compliance with required reserves and result in situations threatening the interests of depositors and creditors, including grounds for taking anti-bankruptcy measures. If the compensation system fails to comply with the nature and scale of operations conducted, performance and the level and combination of risks assumed or if the bank compensation policy does not provide for deferred payment conditions and a further adjustment of the size of compensation and incentive payments to the above-mentioned persons based on the period of their performance utilization (but no less than three years), including a possibility of reducing or cancelling compensation in case of a negative financial result on the whole or in a separate line of business, the Bank of Russia requests the credit institution according to an established procedure to correct deficiencies.

In the course of performing its supervisory functions, the Bank of Russia in accordance with its established procedure is entitled:

- 1) to request and receive information on the financial position and business reputation of legal entities and persons acquiring more than 10% of the shares (stakes) in a credit institution and persons establishing control over the credit institution's shareholders (members), on the business reputation of the executive of the legal entity acquiring more than 10% of the shares (stakes) in a credit institution, the executive of the legal entity establishing control over the credit institution's shareholders (members) and to set requirements for the financial position and the procedure for the assessment of business reputation of the above-mentioned persons, as well as not to permit to acquire more than 10% of the shares (stakes) in a credit institution and (or) establish control over the credit institution's shareholders (members) in case of identifying unsatisfactory financial position and facts of negative business reputation of acquirers and persons establishing control over the credit

		<p>institution's shareholders (members), the executive of the legal entity acquiring more than 10% of the shares (stakes) in a credit institution and the executive of the legal entity establishing control over the credit institution's shareholders (members) and in other cases stipulated by federal laws and Bank of Russia regulations issued pursuant to them;</p> <p>2) to request and receive information on the financial position and business reputation of legal entities owing more than 10% of the shares (stakes) in a credit institution and (or) legal entities establishing control over the credit institution's shareholders (members), on the business reputation of the executive of a shareholder (member) of the credit institution and (or) the executive of the legal entity establishing control over the credit institution's shareholders (members), to set requirements for the financial position and the procedure for the assessment of business reputation of the above-mentioned persons, owing more than 10% of the shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) and to establish the procedure for the assessment of the business reputation of the above-mentioned persons.</p>	
16.2	Banks are required to present at least one auditor-certified report a year	<p>Pursuant to the Banking Law and Bank of Russia Ordinance No. 3054-U, dated 4 September 2013, on the forms, credit institutions submit their annual accounting (annual) statements to Bank of Russia regional branches that supervise them pursuant to the procedure and within the time limits stipulated by the Bank of Russia. Annual accounting (financial) statements are subject to a mandatory audit and are required to be published combined with an auditor's report in compliance with bank of Russia Ordinance No. 3081-U, dated October 25, 2013, "On Disclosing Information on Activities by Credit Institutions" (hereinafter referred to as Ordinance No. 3081-U). An annual accounting (financial) statements comprise reporting forms stipulated by Annex 1 to Ordinance No. 4212-U.</p> <p>Pursuant to the Banking Law and Ordinance No. 2923-U, parent credit institutions of banking groups shall file consolidated financial statements of the banking group compiled in compliance with the IFRS and the auditor's report to the Bank of Russia regional branch supervising the parent credit institution of the banking group, in compliance with the procedure and in terms established by the Bank of Russia.</p> <p>In compliance with Federal Law No. 208-FZ, dated July 27, 2010, "On Consolidated Financial Statements" and Bank of Russia Ordinance No. 3580-U, dated March 2, 2015, "On Filing Financial Statements by Credit</p>	<p>Article 43 of the Banking Law;</p> <p>Federal Law No. 208-FZ "On Consolidates Financial Statements"</p> <p>Bank of Russia Ordinance No. 3054-U, dated September 4, 2013, "On the Procedure for Compiling by Credit Institutions Annual Accounting (Financial) Reports";</p> <p>Ordinance No. 4212-U;</p> <p>Ordinance No. 3081-U;</p>

		<p>Institutions” (hereinafter referred to as Ordinance No. 3580-U), credit institutions other than parent credit institutions of banking groups and banking group members shall file the annual financial statements compiled in compliance with the IFRS and the related auditor’s report; and interim financial statements for the first six months and the related auditor’s report or other document compiled following the inspection held by an audit firm. Financial statements compiled in compliance with the IFRS shall be filed to the Bank of Russia under the procedure and within the time period established by Bank of Russia Ordinance No. 4212-U.</p> <p>Pursuant to the Banking Law and Ordinance No. 3087-U, parent credit institutions of bank holding companies shall file consolidated financial statements of the bank holding company compiled in compliance with the IFRS, to the Bank of Russia regional branch determined by Ordinance No. 3780-U, in compliance with the procedure and in terms established by the Bank of Russia.</p>	<p>Ordinance No. 3580-U; Ordinance No. 2923-U; Ordinance No. 3087-U; Ordinance No. 3781-U; Ordinance No. 3780-U.</p>
16.3	Powers to make corrections in reports	<p>The bank supervision stipulates that for the purpose of ensuring compliance of assessment of groups of capital, asset, profitability and liquidity performance indicators and the values of required ratios with the concept of the bank’s economic standing of Bank of Russia regional branches or the Bank of Russia Systemically Important Banks Supervision Department, including the one resulting from inspections held by the Bank of Russia, analysis of explanatory notes, the bank provides to the information covered by the statements at the request of the Bank of Russia regional branch or the Bank of Russia Systemically Important Banks Supervision Department, other information available to the Bank of Russia regional branch or the Bank of Russia Systemically Important Banks Supervision Department, they adjust the calculation of groups of capital, asset, profitability and liquidity indicators and the values of required ratios.</p> <p>E.g., the calculation of capital performance indicators and required ratios is adjusted for as follows:</p> <ul style="list-style-type: none"> the amount of balance sheet value of improper assets used by investors when forming shareholder’s equity (part thereof); the amount of subordinated loan which fails to meet the conditions for including in the bank’s shareholder’s equity; the amount of underestablished loss provisions; the credit risk assumed with regard to a shareholder (insider) inaccurately recorded in the statements in excess of the maximum 	<p>Ordinance No. 2005-U.</p>

		<p>value established by the Bank of Russia.</p> <p>The calculation of asset performance indicators and required ratios is adjusted for as follows:</p> <ul style="list-style-type: none"> the amount of underestablished loss provisions; the large credit risk, credit risk assumed by the bank on operations with its participants (shareholders), insiders inaccurately recorded in the statements. <p>The calculation of profitability performance indicators is adjusted for as follows:</p> <ul style="list-style-type: none"> the amount of expenses for establishing loss provisions; the amount of profit and losses inaccurately recorded in the statements. <p>The calculation of liquidity performance indicators and required ratios is adjusted for as follows:</p> <ul style="list-style-type: none"> the amount of assets the bank improperly classified as high-quality liquid assets and/or liquid assets; the amount for which the bank understated liabilities, included overdue liabilities, including liabilities on monetary policy operations of the Bank of Russia. <p>The calculation of the above indicators is also adjusted for events impacting their assessment which occurred in the period between the date of assessment of the bank's economic standing and the date when the Bank of Russia regional branch or the Bank of Russia Systemically Important Banks Supervision Department passed the judgment of the assessment of the bank's economic standing.</p> <p>Such events may include, among other things:</p> <ul style="list-style-type: none"> the information about a lawsuit against the bank and judicial proceedings, the reason for which emerged before the reporting date; the decision taken by the Bank of Russia (Bank of Russia regional branch or the Bank of Russia Systemically Important Banks Supervision Department) on the state registration of the change of the bank's authorized capital; obtaining reliable information capable of influencing the assessment of quality of the bank's assets, e.g., on the 	
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		<p>financial standing of major borrower;</p> <p>obtaining reliable information on the fact that loans, securities and other claims (liabilities) of the bank, including those of guarantees issued, are redeemed (written off) with direct or indirect use of the bank's funds or the acceptance of additional risks by the bank;</p> <p>other circumstances capable of influencing the quality assessment of the bank's assets and required ratios.</p>	
16.4	Sanctions for late, false and incomplete reporting	<p>Should a credit institution fail to present information or present incomplete or false information, fail to perform a mandatory audit, disclose information on its activities and auditor's report thereof, the Bank of Russia can demand that it rectify the faults or impose a fine of up to 0.1% of the minimum authorized capital or prohibit it from conducting some operations including those with a parent credit institution of the banking group, a parent institution of the bank holding company, members of the banking group, and members of the bank holding company with a related entity (entities) for a period of up to six months.</p> <p>Should a bank be more than 15 days late in submitting its monthly reports (accounting documents) or present incomplete or false information, the Bank of Russia may revoke its banking license.</p> <p>Should a credit institution or non-bank financial organization fail within the time period set by a Bank of Russia directive to rectify the faults related to the presentation and (or) publication (disclosure) of reports and having reasonable grounds with regards to the actions stipulated by Article 172.1 of the Criminal Code of the Russian Federation (the falsification of financial, documents, the accounting and reporting of a financial organization made to conceal bankruptcy signs stipulated by Russian legislation or the grounds for a mandatory revocation (cancellation) of a license from an organization and (or) the appointment of a provisional administration in it), the Bank of Russia is obliged within three working days from the date of the identification of these circumstances to send documents to investigating authorities authorized to investigate crimes stipulated by Article 172.1 of the Criminal Code of the Russian Federation to initiate a criminal proceeding.</p>	<p>Article 74 of the Bank of Russia Law;</p> <p>Articles 19 and 20 of the Banking Law;</p> <p>Instruction No. 59.</p> <p>Bank of Russia Ordinance No. 2293-U, dated 17 September 2009, "On the Procedure for Revoking a Banking License from a Credit Institution in the Event of the Material Misrepresentations of Reporting Data.";</p> <p>Article 172.1 of the Russian Federation Criminal Code;</p> <p>Articles 75.1 and 76.8 of</p>

			the Bank of Russia Law.
16.5	Powers to determine the format and periodicity of bank reports	<p>Pursuant to Article 57, the Bank of Russia established a list, a procedure and formats for compiling statements credit institutions submit to the Bank of Russia for supervisory purposes, among other things. The said list covers forms of standalone and consolidated statements submitted to the Bank of Russia by credit institutions, including parent credit institutions of banking groups, quarterly and annually.</p> <p>In addition to reports specified in Bank of Russia regulations, which also establish the periodicity of reporting, a credit institution carrying out financial rehabilitation measures should submit some forms of reports to the Bank of Russia regional branch on a weekly basis.</p> <p>The Bank of Russia regional branch may require a credit institution to submit some forms of reports intramonthly so that it can monitor the credit institution's financial standing.</p> <p>If the size of the own funds (capital) of a credit institution is less than the size of its authorized capital set by its founding documents, the Bank of Russia is obliged to require this institution to match its capital with the size of its authorized capital.</p> <p>The credit institution has to meet the Bank of Russia requirement according to the procedure, time period and conditions set by paragraph 4.1 of Chapter IX of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)".</p>	Articles 57 and 72 of the Bank of Russia Law; Ordinance No. 4212-U; Bank of Russia Ordinance No. 2851-U, dated July 16, 2012, "On the Rules for Compiling and Submitting Reporting by Credit Institutions to the Central Bank of the Russian Federation".
17	Contacts with bank management		
17.1	The right to invite bank managers to meetings with supervisors	<p>When supervising credit institutions, the Bank of Russia has the right to keep in touch with their management (board of directors and bank executives of different levels) by meeting them, speaking to them by telephone, maintaining business correspondence with them and participating in shareholders' (members') meetings.</p> <p>The authorized representative of the Bank of Russia, the head of the group of authorized representative of the Bank of Russia and/or members of the group of authorized representatives of the Bank of Russia, authorized by the head of the group of authorised representative of the Bank of Russia, participate without the right to vote in the meetings of management bodies of the credit institution and the credit institution's bodies responsible for taking decisions on lending, asset and liability</p>	Instruction No. 59; Bank of Russia Ordinance No. 2182-U, dated February 9, 2009, "On the Procedure for Appointing Bank of Russia Authorised Representatives in Cases Stipulated by Clauses 1-6 of Part 1 of Article 76 of the Federal Law 'Ob the Central Bank of the

		management.	Russian Federation (Bank of Russia)', Conducting and Terminating their Activities"; Bank of Russia Ordinance No. 3057-U, dated September 6, 2013, "On the Procedure for Appointing Bank of Russia Authorised Representatives in Cases Stipulated by Clause 7, Part 1 of Article 76 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', and Conducting and Terminating their Activities".
17.2	The right to have a separate meeting with an external auditor	Whenever necessary, the Bank of Russia sends a letter to an audit organization, noting shortcomings and recommending ways to eliminate them, or holds a working meeting with an audit organization with the participation of representatives of the credit institution concerned to discuss objections to the quality and completeness of the audit. A meeting to discuss an audit of a credit institution may be held at the request of an audit organization.	
17.3	The right to meet separately with the members of the board of directors	See Clause 17.1.	
17.4	The appointment of the curator of a credit institution	Curators are appointed to credit institutions to improve banking supervision. Specifically, this is achieved by raising personal responsibility of the supervisor (curator) for the quality and timeliness of the assessments and proposals made in respect of the activities of a credit institution. The curator should work in contact with the management and staff of the credit institution,	Bank of Russia Regulation No. 310-P, dated September 7, 2007, "On the

		discuss issues relating to its activities and financial soundness, collect all material information on the activities of the credit institution and compile and present to his superiors in time information and proposals on matters within his competence.	Curators of Credit Institutions”.
18	Audit and information disclosure		
18.1	Banks are required to do their accounting in accordance with established standards	<p>The Bank of Russia approves for credit institutions industry accounting standards, a chart of accounts and a procedure for its use, as well as sets requirements for submitting accounting (financial) statements, compiling and presenting statistical reports by credit institutions in accordance with Russian legislation and in the light of international banking practice.</p> <p>The Bank of Russia establishes compulsory for credit institutions rules of conducting banking operations, accounting and reporting, compiling and submitting accounting (financial) and statistical reports, as well as other information stipulated by federal laws. The Bank of Russia sets compulsory for banking group rules of compiling reports necessary for the supervision of credit institutions on a consolidated basis. The Bank of Russia rules apply to accounting (financial) and statistical and other reports, which are compiled for a period starting not earlier the date of the publication of these rules.</p>	<p>Article 57 of the Bank of Russia Law;</p> <p>Article 40 of the Banking Law; Ordinance No. 4212-U.</p>
18.2	The requirement to publish auditor-certified annual financial statements (balance sheet, profit and loss account and notes to accounts)	<p>A credit institution (the parent credit institutions of banking groups, parent organizations (management companies) of bank holding companies) is (are) required to disclose information on its (their) activities to a wide range of users.</p> <p>Information is considered disclosed if it is available in public information systems and (or) published in the mass media available for interested parties, and (or) subject to other actions providing for its availability for all interested persons apart from the purposes of receiving this information according to a procedure ensuring its availability and receipt. Disclosure procedure is specified by Bank of Russia regulations.</p> <p>Credit institutions shall publish annual and interim accounting (financial) reports annually and quarterly combined with an auditor’s report (for interim reports, if an audit was conducted), according to a procedure and within the period set by the Bank of Russia. These reports include quantitative and qualitative indicators of their activities, specifically:</p> <p>a balance sheet (published form);</p>	<p>Articles 8, 42 and 43 of the Banking Law;</p> <p>Ordinance No. 3081-U;</p> <p>Ordinance No. 4212-U;</p> <p>Federal Law No. 208-FZ, dated July 27, 2010, “On Consolidated Financial Statements”;</p> <p>Ordinance No. 3054-U;</p> <p>Ordinance No. 3087-U,</p>

	<p>a profit and loss account (published form);</p> <p>notes to them;</p> <p>a statement on capital adequacy for covering risks, provisions for loans and other assets (published form);</p> <p>a report on required ratios, financial leverage ratio and liquidity coverage ratio (published form);</p> <p>a cash flow statement (published form);</p> <p>notes to annual (interim) accounting (financial) statements, including, among other things, data on the credit institution’s risks, the procedures for their assessment, risk and capital management, as well as on the regular basis – complete information on the conditions and terms of issuance (raising) capital instruments the credit institution includes in the calculation of equity capital in compliance with Bank of Russia Regulation No. 395-P, dated December 28, 2012, “On the Methodology for Measuring Bank Capital and Assessing its Adequacy (Basel III)”, and Section 5 of the capital adequacy report.</p> <p>Annual accounting (financial) reports are subject to disclosure no later than 10 working days following the date of holding an annual general meeting of shareholders (members) that has approved it.</p> <p>Interim accounting (financial) reports are subject to disclosure:</p> <p>without an auditor’s report on their reliability - within 30 working days following the reporting date; for large credit institutions with a wide network of divisions – within 40 working days following the reporting date;</p> <p>combined with an auditor’s report on their reliability –within 40 working days following the reporting date; for large credit institutions with a wide network of divisions – within 50 working days following the reporting date.</p> <p>In addition, in accordance with the requirements of Federal Law No. 208-FZ, “On Consolidated Financial Statements”, credit institutions shall disclose financial statements combined with an auditor’s report, and the parent credit institutions of banking groups consolidated financial statements combined with an auditor’s report. These statements are compiled in conformity with the International Financial Reporting Standards recognized in the Russian Federation (hereinafter referred to as the IFRS) and disclosed annually or quarterly according to a procedure and within the period set by the Bank of Russia. The interim consolidated financial statements of the banking group (for the first six months of the reporting year) shall also be audited or inspected by an audit firm, the type of inspection and its arrangements shall be stipulated by the audit standards. The statements</p>	<p>Ordinance No. 2923-U;</p> <p>Ordinance No. 3580-U;</p> <p>Bank of Russia Ordinance No. 3876-U, dated December 3, 2015, “On the Forms, Procedure and Timeframes for Parent Credit Institutions of Banking Groups to Disclose Information on Risks Assumed, Risk Assessment Procedures, and Risk and Capital Management Procedures”;</p> <p>Ordinance No. 3876-U, dated March 27, 2015, “On Amending Clause 1of Bank of Russia Ordinance No. 3876-U, Dated 3 December 2015, “On the Forms, Procedure and Timeframes for Parent Credit Institutions of Banking Groups to Disclose</p>
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		<p>shall be disclosed together with an auditor’s report starting the first six months of 2018. Pursuant to Article 8 of the Banking Law, the parent credit institution of the banking group shall disclose to the general public the information on the risks assumed, risk assessment procedures, risk and capital management procedures on consolidated basis in accordance with the form, procedure and timeframe established by the Bank of Russia. The parent credit institution of the banking group shall disclose in the relevant section of the official website of the parent credit institution of the banking group the information on all conditions and timeframe of financial instruments of equity capital of the banking group within three calendar days after the issue (redemption, conversion) or inclusion of their certain elements in equity capital of the banking group.</p> <p>The parent organizations (management companies) of bank holding companies shall annually disclose the IFRS-compiled consolidated financial statements of the bank holding companies combined with an auditor’s report to a wide range of users.</p> <p>Starting the statements for the first six months of 2017, parent credit institutions of bank holding companies whose securities are admitted to organized trading through listing, shall also disclose the interim consolidated statements for the first six months of the reporting year, and starting the statements for the first six months of 2018, these statements shall be audited and disclosed together with the related auditor’s report.</p>	<p>Information on Risks Assumed, Risk Assessment Procedures, and Risk and Capital Management Procedures”; Bank of Russia Ordinance No. 3918-U, dated December 28, 2015, “On Amending Clause 1 of Bank of Russia Ordinance No. 3876-U, Dated December 3, 2015, On the Forms, Procedure and Timeframes for Parent Credit Institutions of Banking Groups to Disclose Information on Risks Assumed, Risk Assessment Procedures, and Risk and Capital Management Procedures”.</p>
18.3	External auditor should provide a clear opinion on whether financial	The applicable federal laws on audit and federal audit rules (standards) require an audit organization to compile an auditor’s report on audit results satisfying the requirements of Federal Law No. 307-FZ, dated December 30, 2008, “On Audit Activities” and the Banking Law, and including information on the reliability of financial statements, as well as the results of auditing by an audit organization:	Articles 42 and 43 of the Banking Law; Federal Law No. 307-FZ, dated December 30, 2008,

	statements reflect a “fair market value”	<p>1) the compliance by a credit institution, a banking group as of the reporting date with the required ratios set by the Bank of Russia. At the same time, the audit organization shall not assess risk management methods and risk quantitative evaluation models used for the calculation of these required ratios by the credit institution, the parent credit institution of the banking group based on a Bank of Russia permission;</p> <p>2) the compliance of internal controls and risk management systems of the credit institution, banking group with Bank of Russia requirements for these systems in part of the subordination of risk management units, the availability of identification methods of major risks approved by the authorized management bodies of the credit institution, the management of risks important for the credit institution, conducting stress tests, the availability of reporting system on risks important for the credit institution and capital, the consistency of using by the credit institution methods of the management of risks important for the credit institution and the assessment of their efficiency, exercising by the board of directors and executive management bodies of the credit institution control over the compliance by the credit institution with risk limits and capital adequacy ratios set by its internal documents, the efficiency of using by the credit institution of risk management procedures and the consistency of their use.</p>	<p>“On Audit Activities”;</p> <p>Russian Government Resolution No. 696, dated September 23, 2002, “On the Approval of Federal Audit Rules (Standards)”;</p> <p>Order of the Ministry of Finance No. 46n, dated June 9, 2014, “On Approving Rules for Acceptance, Storage and Accounting of Valuables of the State Fund of Russia on Special Accounts”.</p>
18.4	External auditor should report directly to banking supervisory authority on issues that may interest it	At present, federal legislation does not require an external auditor to report to the banking supervisory authority on issues that may interest the latter. At the same time, the Ministry of Finance together with the Bank of Russia is drafting amendments to the law requiring the external auditor to report to the supervisory authority on facts in the activities of credit institutions, banking groups and financial conglomerates that adversely affect their financial soundness and endanger the continuity of their operations (draft federal law No. 997129-6 ‘On Amending Article 26 of the Federal Law ‘On Banks and Banking Activities’ and the Federal Law ‘On Audit Activity’ was adopted by the State Duma at the first reading).	
18.5	The right to determine auditors’	The Federal Law on Audit Activities requires an auditor to have the auditor’s qualification certificate. The auditor’s qualification certificate is issued if the person requesting it (1) has passed the qualification examination and (2) as of the date of	Articles 10, 11 and 22 of Federal Law No. 307-FZ,

	<p>qualification and examine auditors</p>	<p>application for an auditor qualification certificate has worked in jobs connected with audit or the compiling of balance sheets and financial statements at least for three years. At least two of the last three years of this work should be in an audit organization.</p> <p>The qualification examination is conducted by the single certifying commission, which is set up jointly by all self-regulating auditors' organizations according to the procedure established by the Ministry of Finance.</p> <p>This law assigns control over the quality of work of audit organizations and auditors to the Finance Ministry and self-regulating audit organizations, which exercise this control by conducting scheduled and unscheduled inspections. A scheduled inspection of an audit organization or an individual auditor is conducted at least once in five years but no more than once a year. It should focus on compliance by audit organizations and auditors with the aforementioned law, audit standards, the principle of independence of audit organizations and auditors and the auditors' code of professional ethics. The principles of external quality control and the requirements for organising this control are established by the authorised federal agency.</p> <p>State control (supervision) of the self-regulating audit organizations is implemented by the Finance Ministry in the form of scheduled and unscheduled inspections. A scheduled inspection of a self-regulating audit organization is carried out once in two years at the most in accordance with an inspection plan approved by the Finance Ministry. The purpose of this control (supervision) is to make sure that the self-regulating audit organizations comply with the requirements set by the federal laws and other documents regulating audit.</p> <p>An unscheduled inspection of a self-regulating audit organization may also be initiated by the Bank of Russia by complaining to the authorized federal agency that the self-regulating audit organization's actions or inaction violate federal laws or other documents regulating audit.</p>	<p>dated December 30, 2008, "On Audit Activities"; Article 42 of the Banking Law;</p> <p>Russian Government Resolution No. 696, dated September 23, 2002, "On the Approval of Federal Audit Rules (Standards)"; Order of the Ministry of Finance No. 192n, dated October 24, 2016, "On Introducing International Audit Standards In the Russian Federation"; Order of the Ministry of Finance No. 207n, dated November 11, 2016, "On Introducing International Audit Standards In the Russian Federation"; Order of the Ministry of Finance No. 32n, dated March 19, 2013, "On</p>
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			Approving the Regulation on the Procedure for Qualification Examination to Obtain the Auditor Qualification Certificate and Recognizing Invalid Orders of the Ministry of Finance of the Russian Federation”; Order of the Ministry of Finance No. 161n, dated December 6, 2010, “On Approving the Procedure for Issuing the Auditor Qualification Certificate and the Form of the Auditor Qualification Certificate”.
19	Sanctions		
19.1	The powers to use sanctions if:	See Clauses 19.1.1-19.1.3.	
19.1.1	Violation of rules and instructions	Should a credit institution violate federal laws, Bank of Russia regulations and directives, or fail to present information (underreporting or false reporting), to conduct a mandatory audit, to disclose information on its activities and an an auditor’s	Articles 60, 74 and 75 of the Bank of Russia Law;

		<p>report on it, the Bank of Russia has the power to demand that remedial actions be taken, to enforce a penalty of up to 1% of minimum authorized capital or to impose limitations on specific operations conducted by the credit institution, including those with the parent credit institution of a banking group, the parent organization of a bank holding company, the members of the banking group and the bank holding company, a related party (related parties), for six months.</p> <p>Should the parent credit institution of a banking group being a member of the banking group violate the requirements of federal laws, among other things, fail to present information (underreporting or false reporting), to conduct a mandatory audit, to disclose consolidated statements and an auditor's report on them, to comply with required ratios set by the Bank of Russia for banking groups, with Bank of Russia directives to rectify the faults related to the membership in the banking group, or these violations threaten to the legitimate interests of creditors (depositors) of credit institutions being members of banking groups, the Bank of Russia has the right to take against the parent credit institution of the banking group actions stipulated by federal legislation.</p> <p>A list of sanctions and the procedure for applying them are stipulated by applicable federal legislation and Bank of Russia regulations.</p> <p>To prevent situations endangering legitimate interest of credit institutions' depositors and creditors, as well as stability of the Russian banking system, the Bank of Russia maintains a database on persons holding posts specified by Article 60 of the Bank of Russia Law (candidates for these posts), other credit institutions' employees and persons whose activities affected the financial standing of a credit institution or violated federal legislation and Bank of Russia regulations. The procedure for its maintenance is set by the Bank of Russia. To maintain the database, the Bank of Russia has the right to request information from federal executive bodies, their regional branches and legal entities.</p> <p>Should the parent organization of a bank holding company violate the requirements of banking legislation, the Bank of Russia according to the established procedure has the right to impose limitations on operations conducted by a credit institution that is a member of the bank holding company with the parent organization of the bank holding company, the members of the bank holding company for six months, or to ban specific banking operations specified by its banking license and conducted by the credit institution that is a member of the bank holding company with the parent organization of the bank holding company, the</p>	<p>Articles 4, 19 and 20 of the Banking Law; Federal Law No. 127-FZ, dated October 26, 2002, "On the Insolvency (Bankruptcy)"; Instruction No. 59; Chapter 5 of Regulation No. 408-P.</p>
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19.1.2	Unsafe and opaque banking activities	<p>Should the credit institution violate federal laws, related Bank of Russia regulations and other instructions, fail to provide information, provide incomplete or unreliable information, fail to conduct an obligatory audit, fail to disclose information on its activity and the related audit report, the Bank of Russia shall be entitled to demand that the credit institution remove the revealed violations, to impose a fine in the amount of up to 0.1 percent of the minimum authorized capital or to restrict certain operations of the credit institution, including with the parent credit institution of the banking group, parent institution of the bank holding company, participants of the banking group, participants of the bank holding company, related parties (party), for a period of up to six months.</p> <p>Should the activities of a credit institution pose a tangible threat to the interests of depositors and creditors, the Bank of Russia, being the supervisory authority, may use sanctions against the credit institution established by the Bank of Russia Law, the Banking Law and Bank of Russia regulations.</p> <p>The Bank of Russia has the right to revoke a banking license from a credit institution based on reasons stipulated by the Banking Law. The procedure for revoking the banking license is established by Bank of Russia regulations.</p>	<p>Articles 73 and 74 of the Bank of Russia Law;</p> <p>Articles 19 and 20 of the Banking Law;</p> <p>Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”;</p> <p>Instruction No. 59.</p>
19.1.3	Criminal activities	Should the Bank of Russia identify signs of the involvement of a credit institution in illegal (criminal) activities, the former acting within its powers sends the respective information to enforcement authorities following the revocation of a banking license from a credit institution.	<p>Article 20 of the Banking Law;</p> <p>Article 74 of the Bank of Russia Law.</p>
19.2	Scope and criteria of using sanctions:	See Clauses 19.2.1-19.2.8.	
19.2.1	Warning notice	Preventive measures such as informing the management of the credit institution about the shortcomings discovered in its work and concern of the supervisory authority about the state of affairs in the credit institution, recommendations of the supervisory authority on solutions to the problems, proposals that the credit institution should present to the supervisory authority a program	Instruction No. 59.

		of measures and the establishment of additional control over the activities of the credit institution and the implementation of measures by it to bring the situation back to normal are used by the Bank of Russia mainly in the cases when the shortcomings in the work of a credit institution do not pose an immediate threat to the interests of creditors and depositors.	
19.2.2	Suspension or termination order	<p>1. The right of banks included in the bank register to take personal funds on deposit and to open and keep individual banking accounts is subject to termination if one of the following conditions is realized:</p> <ol style="list-style-type: none"> 1) The Bank of Russia recognizes bank accounting and reporting unreliable repeatedly within the year; 2) A bank within six consecutive months fails to comply with the same required ratio set by the Bank of Russia pursuant to the Bank of Russia Law, except for the case when the failure was caused by a change during six months preceding this failure in the methodology of the calculation of this ratio. The failure to comply with a required ratio during the reporting month is its violation for six or more operational days in total during this month; 3) A set of indicators characterizing the transparency of the bank's ownership is considered unsatisfactory for three consecutive months; 4) A range of quality indicators of the bank management, including criteria characterizing the system of risk management, the state of internal control, inter alia in anti-money laundering and counter-terrorism financing, as well as the quality of business planning, is considered unsatisfactory for three consecutive months; 5) The bank fails to comply with the Bank of Russia's procedure for disclosing to the public at large information on persons who exercise control over or significant influence on the bank for three consecutive months; <p>2. Under Russian legislation, the Bank of Russia shall monitor circumstances arising at the bank according to part 1 hereof. Information on recognizing the bank non-complying with the Bank of Russia's procedure for disclosing to the public at large information on persons who exercise control over or significant influence on the bank, its accounting and reporting unreliable, its failure to comply with one or several required ratios, as well as on considering its set of indicators characterizing the transparency of ownership and management quality unsatisfactory is sent by the Bank of Russia to the bank in accordance with the procedure established by Bank of Russia regulations.</p> <p>2.1. The availability of circumstances at the bank specified by part 1 of this Article is determined by the Bank of Russia</p>	Part 3 of Article 48 of the Deposit Insurance Law; Article 74 of the Bank of Russia Law; Instruction No. 59; Bank of Russia Ordinance No. 3220-U, dated March 31, 2014, "On the Procedure for Filing an Application by a Bank for the Termination of Its Right to Handle Deposits in Response to the Bank of Russia Demand Made Pursuant to Part 3 of Article 48 of the Federal Law on Insurance of Household Deposits with Russian Banks and the Procedure for Invalidating the Bank of Russia License

		<p>based on the results of on-site inspections, the off-site analysis of bank reports, as well as documents received from the bank. If facts (circumstances) in bank's activities testifying to the conditions specified by part 1 of this Article are removed by the date of the consideration by the Bank of Russia of the issue on imposing a ban to take personal funds on deposit and to open and keep individual banking accounts, the reasons to discontinue banks' right to take personal funds on deposit and to open and keep individual banking accounts are absent.</p> <p>3. When identifying the circumstances specified by part 1 of this Article, the Bank of Russia in line with the decision of its Banking Supervision Committee is obliged to require a bank included in the bank register to file an application on discontinuing the right to take personal funds on deposit and to open and keep individual banking accounts and to impose a ban on taking personal funds on deposit and opening and keeping individual banking accounts.</p> <p>3.1. A ban on taking personal funds on deposit and opening and keeping individual banking accounts stipulated by part 3 of this Article is effective until the date of recognizing according to the procedure established by a Bank of Russia regulation the Bank of Russia-issued license to take personal funds on deposit and to open and keep individual banking accounts that a bank included in the bank register has invalid or until the date of revocation from this bank the Bank of Russia-issued banking license.</p> <p>Should the credit institution violate federal laws, Bank of Russia regulations or instructions, or required ratios, fail to provide information, provide incomplete or unreliable information, fail to conduct an obligatory audit, fail to disclose statements and the related auditor's report, fail to submit information to the credit history bureau and perform actions threatening creditors' and depositors' interests, the Bank of Russia shall be entitled to apply to the credit institution measures envisaged by Article 74 of the Bank of Russia Law for the supervisory purposes, including the restriction of certain operations for a term of up to six months or the ban for certain operations for a term of up to one year, including the operations with the parent credit institution of the banking group, parent institution of the bank holding company, participants of the banking group (bank holding company), to demand the replacement of the management of the credit institution or restriction of compensation and/or incentive payments to the said persons for a term of up to three years, to ban opening of branches for a term of up to one year, to demand that the credit institution implement</p>	<p>to Take Household Deposits in Rubles or the Bank of Russia License to Take Household Deposits in Rubles and Foreign Currency or a General License";</p> <p>Bank of Russia Ordinance No. 2330-U, dated November 11, 2009, "On the Procedure for Prohibiting Banks from Taking Household Deposits and Opening Household Accounts".</p>
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		financial resolution measures, to impose restriction on the interest rate, the credit institution determines in deposit agreements, to appoint a provisional administration to manage the credit institution.	
19.2.3	Provisional administration	<p>Should a credit institution fail to fulfil in time the Bank of Russia order to eliminate the shortcomings discovered in its activities or should these shortcomings or operations or transactions conducted by a credit institution pose a tangible threat to the interests of its creditors (depositors), the Bank of Russia may appoint a provisional administration to the credit institution for a term of six months.</p> <p>Should a credit institution have its banking license revoked, the Bank of Russia must appoint a provisional administration to manage this credit institution.</p> <p>The Bank of Russia may invite the Agency to participate in the implementation of measures to prevent the bankruptcy of a bank. The bankruptcy prevention measures provided by Federal Law 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)” and carried out with the participation of the Agency, including the implementation by the Agency of the functions of the provisional administration according to the decision of the Bank of Russia, are implemented by plan. The Agency performs the functions and exercises the powers of the provisional administration through its representative who acts by the power of attorney. As soon as the provisional administration is appointed to the bank, the rights of its shareholders (members) connected with their shareholding, including the right to convene a shareholders’ meeting, and the powers of the bank’s management are suspended.</p> <p>Should the bank fail to fulfil the agreed (approved) plan for the Agency’s participation in bankruptcy prevention, the Bank of Russia may decide that this plan cannot be carried out and (or) that the Agency cannot perform its functions of the provisional administration and take other measures stipulated by federal laws.</p>	<p>Article 74 of the Bank of Russia Law;</p> <p>Article 20 of the Banking Law;</p> <p>Articles 189⁹, 189²⁶, 189³⁴, 189⁴⁷, 189⁴⁸, 189⁴⁹ of Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”;</p> <p>Instruction No. 59;</p> <p>Bank of Russia Regulation No. 279-P, dated November 9, 2005, “On the Provisional Administration of a Credit Institution” (hereinafter referred to as Regulation No. 279-P).</p>

19.2.4	Fines imposed on a bank	<p>A credit institution engaged in production, commercial or insurance activities is liable to a fine of 40,000 to 50,000 rubles.</p> <p>A credit institution that has violated the required ratios or other mandatory requirements set by the Bank of Russia is liable to a warning or a fine of 10,000 to 30,000 rubles.</p> <p>A credit institution whose activities posed a tangible threat to the interests of its creditors (depositors) is liable to a fine of 40,000 to 50,000 rubles.</p> <p>Should a credit institution be found to be in breach of federal laws or Bank of Russia regulations or instructions issued in pursuance of these laws or fail to present information or present incomplete or false information, the Bank of Russia may impose a fine on it of up to 0.1% of the minimum authorized capital.</p> <p>Should a credit institution fail to fulfil in time the Bank of Russia order to eliminate shortcomings discovered in its work or should these shortcomings or banking operations or transactions conducted by the credit institution pose a tangible threat to its creditors (depositors), the Bank of Russia may impose a fine on it of up to 1% of the paid-up authorized capital but no more than 1% of the minimum authorized capital.</p> <p>Credit institutions may be subject to sanctions specified in parts 1-4 of Article 15.27 of the Russian Federation Code of Administrative Offences (see in detail Point 19.2.5 in relation to sanctions provided for the failure to comply with the requirements of anti-money laundering and counter-terrorist financing legislation.</p>	<p>Article 15.26 of the Russian Federation Code of Administrative Offences; Article 74 of the Bank of Russia Law.</p> <p>Article 15.27 of the Russian Federation Code of Administrative Offences.</p>
19.2.5	Fines imposed on bank chief executives and/or owners	<p>The executives of a credit institution preventing a provisional administration from fulfilling its duties are liable to a fine of 2,000 to 3,000 rubles.</p> <p>The members of the company's board of directors (supervisory board), sole executive body, members of the collegiate executive body and manager of a credit institution which is a limited liability company or joint-stock company are accountable to the company for the losses incurred as a result of their actions or inaction unless other grounds or another scale of responsibility are established by federal laws.</p> <p>If a credit institution went bankrupt as a result of the actions or inaction of persons who control it, these persons shall bear subsidiary liability for the credit institution's obligations according to the procedure specified by Article 10 of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)", if the credit institution's property is not enough to meet</p>	<p>Article 14.12, 14.13 and 14.14 of the Russian Federation Code of Administrative Offences; Article 44 of the Limited Liability Company Law; Article 71 of the Joint-Stock Company Law.</p>

	<p>creditors' claims.</p> <p>Until proved otherwise, it is supposed that the credit institution is recognized insolvent (bankrupt) due to the actions and (or) inaction of persons who control the debtor in case of one of the following circumstances:</p> <p>harm was inflicted to the property rights of creditors as a result of one or several transactions conducted or approved by this person or made in his/her favour, including transactions specified by Articles 61² and 61³ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)";</p> <p>accounting and (or) reporting documents which are required to be kept, compiled and stored by Russian legislation, including documents covering bank economic activities and electronic databases (data backups) which are required to be compiled and kept by the Banking Law, and to be transferred according to the requirements of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)" to a provisional administration (receiver, liquidator) by the date of appointing of the provisional administration or taking the decision on recognising the credit institution bankrupt are not available or do not contain data on property specified by Russian legislation which is required to be compiled by Russian law, or these data are distorted, which largely hinders procedures used within bankruptcy proceedings, including the collection and sale of bankruptcy assets.</p> <p>Claims of third-priority creditors on the principal debt which resulted from a breach of law due to which the debtor or its officials, which are or were its sole executive body were recognized liable for criminal, administrative or tax offence, including a claim to pay the debt revealed during the proceedings on such breaches of law, exceed the total debt of creditors included in the register by 50% of total third-priority creditors' claims as of the date of closing the register of creditor claims.</p> <p>If a credit institution is recognized bankrupt as a result of the actions and (or) inaction of several persons who control it, these persons shall be jointly liable.</p> <p>A person who controls a credit institution whose actions and (or) inaction have led to its insolvency (bankruptcy) shall not bear subsidiary liability if he/she proves that he/she is not guilty in the bankruptcy of the credit institution. This person is also recognized blameless if he/she acts in good faith and in a reasonable manner for the benefit of the credit institution.</p> <p>The amount of subsidiary liability of a person who controls a credit institution equals the total amount of claims of the creditors</p>	<p>Articles 10 and 189²³ of Federal Law No. 127-FZ, dated October 26, 2002 "On Insolvency (Bankruptcy)";</p> <p>Articles 195, 196 and 197 of the Criminal Code of the Russian Federation.</p>
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included in a register of creditors' claims, as well as claims stated following the closure of the register of creditors' claims and creditors' claims on current payments due to debtor's insufficient property.

The amount of liability of a person who controls a credit institution is subject to reduction if it is proved that the size of harm caused to the property rights of creditors due to the fault of this person is substantially less than the amount of claims to be satisfied for the account of this person.

When determining a person who controls a debtor (credit institution), the provision specified by the paragraph thirty-one of Article 2 of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)" on the period (shorter than two years before adopting by an arbitration court a petition for a bankruptcy order) during which this person has or had the right to give directives mandatory for the debtor or have effect on the debtor otherwise.

A credit institution or the Agency on its behalf has the right to petition an arbitration court to compensate for losses caused by actions and (or) inaction of persons who control the credit institution against which bankruptcy prevention measures have been (are) taken with participation of the Agency.

Persons made subsidiarily liable under Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)" and liable for covering losses to a credit institution may not acquire shares (stakes in authorized capital) in another credit institution that make up more than five percent of its authorized capital or exercise direct or indirect (through third parties) control over shareholders (members) owing more than five percent of shares (stakes) in a credit institution for five years following the date of performing by these persons obligations set by a judicial act.

Persons made subsidiarily liable under Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy and liable for covering losses to a credit institution may not take up executive position in a credit institution for five years following the date of performing by these persons obligations set by a judicial act.

Non-compliance with the requirements of anti-money laundering and counter-terrorist financing legislation

1. Non-compliance with the legislation in regard to the arrangement of and exercising internal controls that have not caused the failure to report on operations subject to mandatory control, or operations which give rise to suspicion of employees from an organization conducting monetary operations and those with other property that they are made for money laundering or terrorist

Article 15.27 of the Russian Federation Code of Administrative Offences.
Article 14.8 of the Russian Federation Code of Administrative Offences.

financing, as well as non-compliance that caused the violation of the deadline for sending to an authorized body of the above-mentioned data, except for cases stipulated by parts 1.1, 2-4 of Article 15.27 of the Russian Federation Code of Administrative Offences, is liable to a warning or an administrative fine of 10,000 to 30,000 rubles for executives and 50,000 to 100,000 rubles for legal entities.

2. Actions or inaction specified by part 1 of Article 15.27 of the Russian Federation Code of Administrative Offences that caused the failure to report to an authorized body of data on operations subject to mandatory control, and (or) reporting to an authorized body of inadequate information on operations subject to mandatory control, as well as the failure to report on operations which give rise to suspicion of employees from an organization conducting monetary operations and those with other property that they are made for money laundering or terrorist financing are liable to an administrative fine of 30,000 to 50,000 rubles for executives and 200,000 to 400,000 rubles for legal entities or administrative suspension of their activities for a term of up to sixty days.

2.1. Non-compliance with the legislation in regard to blocking (freezing) of funds or other property or suspension of operations with funds or other property is liable to an administrative fine of 30,000 to 40,000 rubles for executives and 300,000 to 500,000 rubles for legal entities or administrative suspension of their activities for a term of up to sixty days.

2.2 The failure to report to an authorized body of data on cases of the denial of a bank(deposit) agreement with customers or conducting operations for the reasons specified by Federal Law No. 115-FZ, dated August 7, 2001, "On Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing" is liable to an administrative fine of 30,000 to 40,000 rubles for executives and 300,000 to 500,000 rubles for legal entities or administrative suspension of their activities for a term of up to sixty days.

2.3 The failure to report to an authorized body at its request of information on customer operations and beneficiaries, as well as data on funds movement across customer accounts by an organization conducting operations with funds or other property is liable to an administrative fine of 300,000 to 500,000 rubles for legal entities.

3. Preventing by an organization conducting monetary operations and those with other property on-site inspections carried out by an authorized body or the respective supervisory authority, or failure to comply with directions made by these authorities to

		<p>counter money laundering or terrorist financing are liable to an administrative fine of 30,000 to 50,000 rubles for executives, or disqualification for a term of up to one year, and 700,000 to one million rubles for legal entities or administrative suspension of their activities for a term of up to ninety days.</p> <p>4. Non-compliance by an organization conducting monetary operations and those with other property, or by its executive with anti-money laundering and counter-terrorist financing legislation that caused money laundering or terrorist financing established by an effective judgment, if these actions (or inaction) are not penal, is liable to an administrative fine of 30,000 to 50,000 rubles for executives, or disqualification for a term of up to one year, and 500,000 to one million rubles for legal entities or administrative suspension of their activities for a term of up to ninety days.</p> <p>5. The violation of the consumer right to receive the necessary and reliable information on goods (works, services) being sold, a producer, seller, executor and their business hours is liable to an admonition or an administrative fine of 500 to 1,000 rubles for executives, and 5,000 to 10,000 rubles for legal entities.</p>	
19.2.6.	A requirement to carry out financial rehabilitation measures	<p>The Bank of Russia has the right to demand that credit institutions should carry out financial rehabilitation measures (when there are grounds for the implementation of the bankruptcy-prevention measures stipulated by applicable legislation), including submission and fulfilling a financial rehabilitation plan.</p> <p>The Bank of Russia sends an order to a credit institution to carry out financial rehabilitation measures judging by a reasoned assessment of the possibility of the removal of the grounds for the implementation of the bankruptcy-prevention measures by the credit institution itself or with the participation of founders (members), creditors or other persons (when there is information on the above persons' interest in the credit institution's financial rehabilitation and on their financial position).</p> <p>Should the Bank of Russia Banking Supervision Committee take the decision pursuant to Article 189⁴⁷ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)" to invite the Deposit Insurance Agency (hereinafter referred to as the Agency) an invitation to participate in preventing the bankruptcy of a bank, an order to carry out financial rehabilitation measures or reorganise the bank are not sent from the day the Bank of Russia sends the invitation to the Agency. The orders to carry out financial rehabilitation or reorganise the bank that were sent earlier are revoked no later than 5 working days after the receipt by a Bank of Russia regional branch of a written notification from the Bank of Russia Licensing and Financial</p>	<p>Article 74 of the Bank of Russia Law; Articles 189²⁰ and 189⁴⁷ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)"; Clause 3.1 of Instruction No. 126-I; Bank of Russia Ordinance No. 1650-U, "On Control by Bank of Russia's Regional Branches over</p>

		Rehabilitation Department indicating that the Agency has decided to participate in bankruptcy prevention.	Credit Institutions' Measures against Insolvency (Bankruptcy)"; Clause No. 1.18.1 of Instruction No. 59.
19.2.7	A requirement to match a credit institution's authorized capital with its equity capital	<p>Should the Bank of Russia discover from data reported by a credit institution and (or) as a result of its inspection conducted in compliance with the requirements of the Bank of Russia Law that its equity capital has become smaller than authorized capital in the reporting month, it should send an order to the credit institution to match its authorized capital with equity capital.</p> <p>The credit institution should comply with the Bank of Russia requirement according to the procedure, within the time period and on terms and conditions set by Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)"</p> <p>At the same time, one should bear in mind that the term 'net assets' applied to the credit institutions corresponds to the term 'equity capital.'</p> <p>The Bank of Russia shall revoke the banking license if the credit institution fails to comply with the Bank of Russia requirement to match its authorized capital to its equity capital within the time period established by paragraph 4.1 of Chapter IX of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)".</p> <p>During the work of a provisional administration to manage a credit institution, appointed pursuant to Sub-clause 6 of Clause 1 of Article 189²⁶ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)", the Bank of Russia may pass a decision on the reduction of the bank authorized capital to the level of its equity capital, and if this value is negative, to one ruble.</p>	<p>Articles 189²⁰ and 189⁵⁰ of Federal Law No. 127-FZ, dated October 26, 2002, 'On Insolvency (Bankruptcy)';</p> <p>Article 20 of the Banking Law;</p> <p>Clause 1.18.1 of Instruction No. 59;</p> <p>Bank of Russia Ordinance No. 1260-U, dated March 24, 2003, 'On the Procedure for Adjusting the Authorized Capital and Equity Capital of Credit Institutions';</p> <p>Bank of Russia Ordinance No. 3711-U, dated July 5, 2015, 'On the Procedure</p>

			for the Bank of Russia to Decide on the Reduction of the Authorised Capital of a Bank to the Equity Capital Amount or to One Ruble'.
19.2.8	Dismissal of chief executives	<p>The Bank of Russia has the right to demand that a credit institution should replace persons holding the posts of chief executives of a credit institution (branch), including acting chief executives and persons executing separate duties of chief executives that have the right to administer funds placed on an account with the Bank of Russia, members of the board of directors (supervisory board) if they fail to comply with business reputation requirements specified by Article 16 of the Banking Law.</p> <p>A credit institution (branch) should notify the Bank of Russia in writing about the dismissal of its chief executive, including acting chief executives, no later than the business day following the day on which this decision was taken.</p> <p>The Labor Code of the Russian Federation establishes additional grounds (compared to the generally established ones) for the termination of a labor contract with the chief executive of an organization, such as:</p> <ol style="list-style-type: none"> 1) in connection with the dismissal of the chief executive of a debtor organization under the insolvency (bankruptcy) law; 2) in connection with the decision made by the authorized agency of a legal entity or the owner of an organization's property or the person or body authorized by the owner to terminate a labor contract; 3) other grounds established by the labor contract. <p>A credit institution should notify the Bank of Russia in writing about the dismissal of a member of its board of directors (supervisory board) within three days after this decision was taken.</p>	<p>Articles 60 and 74 of the Bank of Russia Law;</p> <p>Articles 11.1 and 19 of the Banking Law.</p> <p>Article 278 of the Labor Code of the Russian Federation.</p>
19.2.9	License revocation	<p>The Bank of Russia may revoke a banking license from a credit institution in the following cases:</p> <ol style="list-style-type: none"> 1) if the data on the basis of which the license was issued prove to be false; 	Article 20 of the Banking Law.

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| <p>2) if the beginning of licensed banking operations has been delayed for more than a year following the license issue date;</p> <p>3) if gross inaccuracies have been discovered in reported data;</p> <p>4) if the submission of monthly reports (reporting documents) has been delayed for more than 15 days;</p> <p>5) if banking operations other than those permitted by the license have been conducted at least once;</p> <p>6) if a credit institution that has broken federal banking laws and Bank of Russia regulations has been repeatedly subjected within one year to sanctions under the Bank of Russia Law;</p> <p>6¹) if a credit institution has repeatedly violated within one year the requirements set by Articles 6 and 7 (excluding Clause 3 of Article 7), Articles 7.2 and 7.3 of the Federal Law on Countering the Legalization (Laundering) of Criminally Obtained Incomes and Terrorist Financing, and (or) if a credit institution has repeatedly violated within one year the requirements of Bank of Russia regulation issues pursuant to this Federal Law;</p> <p>7) if a credit institution has repeatedly failed within one year to obey the ruling of a court of law or arbitration court to write off clients' funds from their accounts (deposits), provided that there are funds in these accounts (deposits);</p> <p>8) if there is a request by the provisional administration, provided that by the end of the term of this administration, established by Paragraph 4.1 of Chapter IX of the Federal Law on Insolvency (Bankruptcy), there are grounds for its appointment under this Federal Law;</p> <p>9) if a credit institution repeatedly fails to present to the Bank of Russia within the established time period updated information necessary for making changes in the Unified State Register of Legal Entities, except the data on the licenses received;</p> <p>10) if a credit institution, a mortgage manager, has failed to comply with the requirements of the Federal Law on Mortgage Securities and Bank of Russia regulations issued in pursuance of this Law and has not rectified the faults within the established time period, provided that the credit institution has been repeatedly sanctioned within one year under the Bank of Russia Law;</p> <p>11) if a credit institution has repeatedly failed within one year to comply with requirements of the Federal Law on Countering the Illegal Use of Insider Information and Market Manipulation and Amending Some Russian Laws and regulations adopted in accordance with it, taking into consideration the peculiarities of the above-mentioned Law.</p> <p>The Bank of Russia must revoke a banking license from a credit institution in the following cases:</p> | |
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| <p>1) if the value of all capital adequacy ratios of a credit institution becomes less than 2%;</p> <p>If during the last 12 months preceding the moment when under Article 20 of the Banking Law this license is to be revoked the Bank of Russia changed the methodology of bank capital adequacy calculation, for the purpose of this Article, the methodology is used under which the bank capital adequacy reaches its maximum;</p> <p>2) if the equity capital of a credit institution is smaller than the minimum authorized capital established as of the date of the credit institution's state registration. The credit institution is not subject to the revocation of the banking license during the first two years from the date of its issuance;</p> <p>3) if a credit institution fails to match its authorized capital with equity capital within the time period established by Paragraph 4.1 of Chapter IX of the Federal Law on Insolvency (Bankruptcy);</p> <p>4) if a credit institution is unable to meet creditors' claims on its pecuniary obligations and (or) effect compulsory payments within 14 days after they are due. At the same time, these claims should aggregate no less than 1,000 times the amount of the minimum wage, established by the federal law;</p> <p>5) if a bank had not reached by January 1, 2015 its minimum equity capital level established by Part 7 of Article 11.2 of the Banking Law and does not request the Bank of Russia to change its status for a non-bank credit institution;</p> <p>6) if a bank in the period after January 1, 2015 has allowed its equity capital to decrease below its minimum level established by Part 7 of Article 11.2 of the Banking Law for three months in a row (except of the cases in which this decrease was caused by the change in the methodology of calculating the equity capital of the bank) and does not request the Bank of Russia to change its status for a non-bank credit institution;</p> <p>7) if the bank that had an equity capital of 180 million rubles and more as of January 1, 2007, and a bank that has been set up after January 1, 2007 have allowed their equity capital to decrease from the minimum level established as of the corresponding date by Parts 6 and 7 of by Article 11.2 of the Banking Law (except of the cases in which this decrease was caused by the change in the methodology of calculating the equity capital of the bank) and have not requested the Bank of Russia to change their status for a non-bank credit institution;</p> <p>8) if the bank with an equity capital of less than 180 million rubles as of January 1, 2007 had not reached as of the</p> | |
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		<p>corresponding date its equity capital level established by Parts 5-7 of Article 11.2 of the Banking Law and if this bank has allowed its equity capital to decrease for three months in a row (except of the cases in which this decrease was caused by the change in the methodology of calculating the equity capital of the bank) to the level lower than the higher of the two levels: the equity capital level it had as of January 1, 2007, or the equity capital level established by Parts 5-7 of Article 11.2 of the Banking Law, and has not requested the Bank of Russia to change its status for a non-bank credit institution;</p> <p>9) if the bank that had an equity capital of 180 million rubles and more as of January 1, 2007, and a bank that has been set up after January 1, 2007 have failed to comply with requirements provided for by Part 8 of Article 11.2 of the Banking Law, and have not requested the Bank of Russia to change its status for a non-bank credit institution;</p> <p>10) if the bank with an equity capital of less than 180 million rubles as of January 1, 2007 has failed to comply with requirements provided for by Part 8 of Article 11.2 of the Banking Law, and has not requested the Bank of Russia to change its status for a non-bank credit institution.</p> <p>11) if a non-bank credit organization with an equity capital of 90 million rubles or higher as of July 1, 2016, or a non-bank credit organization founded after July 1, 2016, allows its equity capital to decline below the minimum equity capital as stipulated by Part 9 of Article 11.2 of the Banking Law for three months in a row, except for a decline resulting from changes in the method of calculation of equity capital determined by the Bank of Russia;</p> <p>12) if a non-bank credit organization with an equity capital below 90 million rubles as of July 1, 2016 allows its equity capital to decline (except for a decline resulting from changes in the method of calculation of equity capital determined by the Bank of Russia) to the value below the equity capital as of July 1, 2016;</p> <p>13) if a non-bank credit organization fails to comply with the requirements stipulated by Parts 11 and 12 of Article 11.2 of the Banking Law.</p> <p>The revocation of a banking license on the grounds other than those stipulated by the Banking Law is not permitted.</p>	
19.2.10	Other sanctions	<p>In compliance with the established procedure, the Bank of Russia shall:</p> <p>send to the credit institution (parent credit institution of the banking group) an order to adjust the systems of risk and capital management, internal controls of the credit institution (banking group) in accordance with Bank of Russia requirements, nature</p>	<p>Articles 57², 57³, 60, 72, 73 and 74 of the Bank of Russia Law;</p>

		<p>and scale of operations carried out by the credit institution (banking group), level and combination of risks assumed and/or to establish individual marginal values of required ratios of the credit institution (banking group) if the ICAAP quality assessment reveals incompliance of systems of risk and capital management, internal controls, capital and liquidity adequacy of the credit institution (banking group) with the requirements, nature and scale of operations of the credit institution (banking group), level and combination of the risks assumed, established by Bank of Russia Ordinance No. 3624-U;</p> <p>send to the credit institution an order to remove the relevant violation in case the remuneration system of the credit institution does not conform with the nature and scale of its operations, its performance, level and combination of risks assumed, or if the remuneration policy of the credit institution does not cover any conditions of deferment and subsequent adjustment of compensation and incentive payments to the persons indicated herein, based on terms of achievement of results of their activity (but not less than three years) , including the possibility of curtailing or cancelling the payments in case of negative financial performance of the credit institution as a whole or the relevant business line.</p> <p>The Bank of Russia shall be entitled:</p> <p>to suspend payment of the principal and/or interest under the subordinated loan (deposit) agreement or bonds in compliance with the procedure established by Bank of Russia regulations if the suspension of payments is provided for by the subordinated loan (deposit) agreement or the registered rules of bond issue, and the payment to creditors results in the grounds for implementation of bankruptcy prevention measures established by the Federal Law “On Insolvency (Bankruptcy)”;</p> <p>to make a demand to the credit institution to exchange (convert) creditors’ claims on subordinated loans (deposits, bonds) on the grounds and under the procedure established by Regulation No. 395-P;</p> <p>to ban the credit institution to take decisions on profit allocation to its founders (participants), dividend payment (announcement), as well as profit allocation and dividend payment to its founders (participants), and meeting the credit institution’s founders’ (participants’) claims to allocate them a share (part thereof) or pay its actual value, or to purchase shares of the credit institution. The Bank of Russia introduces this measure simultaneously with the suspension of payment of the principal and/or interest under the subordinated loan (deposit) agreement or bonds.</p> <p>The Bank of Russia may demand a reorganization of a credit institution in the cases established by federal legislation.</p>	<p>Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”;</p> <p>Instruction No. 59;</p> <p>Clause 3.2 of Instruction No. 126-I;</p> <p>Bank of Russia Ordinance No. 3883-U, dated December 7, 2015, “On the Procedure for Assessing the Quality of Risk and Capital Management Systems, and Capital Adequacy of a Credit Institution or a Banking Group”.</p>
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		<p>Should a credit institution fail to fulfil the Bank of Russia prescription to rectify the faults discovered in its work within the time period established by the Bank of Russia or should these faults or banking operations or transactions conducted by the credit institution pose a tangible threat to the interests of its creditors (depositors), the Bank of Russia may require the credit institution:</p> <ol style="list-style-type: none"> 1) to change for a period of up to six months the required ratios for the credit institution; 2) to ban the reorganization of a credit institution if this reorganization may create grounds for the implementation of the bankruptcy-prevention measures stipulated by Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”; 3) to require the founders (members) of a credit institution who may on their own or on account of an agreement between them or holding a stake in one another’s capital or other ways of direct or indirect interaction may influence the decisions taken by a credit institution’s management to take action designed to increase the equity capital of the credit institution to a level ensuring its compliance with the required ratios, including through the restriction of the distribution of the profits of the credit institution in part of payments leading to a reduction in its equity capital. <p>The Deposit Insurance Agency is entitled, as a provisional administration, pass a decision to reorganise a bank.</p>	
19.3	The activities of a provisional administration	<p>The functions of a provisional administration if the powers of a credit institution’s executive bodies are limited are as follows:</p> <ul style="list-style-type: none"> - to conduct an examination of a credit institution; - to establish grounds for revoking a banking license under Russian legislation; - to work out measures to rehabilitate financially a credit institution and oversee their implementation; - to oversee the management of property of a credit institution within the limits set by applicable federal legislation; - to perform other functions stipulated by federal law. <p>The functions of a provisional administration if the powers of a credit institution’s executive bodies are suspended are as follows:</p> <ul style="list-style-type: none"> - to exercise the powers of the executive bodies of a credit institution; - to make an examination of a credit institution; 	<p>Articles 189³⁰, 189³¹, 189³², 189³⁴, 189⁴³, 189⁵⁰ of Federal Law No. 127-FZ, dated October 26, 2002 “On Insolvency (Bankruptcy)”;</p> <p>Regulation No. 279-P;</p> <p>Instruction No. 126-I;</p> <p>Bank of Russia Ordinance No. 3681-U, dated June 16,</p>

	<ul style="list-style-type: none"> - to establish grounds for revoking a banking license under applicable federal legislation; - to work out measures to rehabilitate financially a credit institution and organize and supervise their implementation; - to take measures to ensure the safety of a credit institution's property and documents; - to identify the creditors of a credit institution and the size of their pecuniary claims; - to take measures to recover the debts owed to a credit institution; - to request the Bank of Russia to impose a moratorium on the satisfaction of creditors' claims on a credit institution; - to carry out other functions under federal laws. <p>Should a provisional administration be appointed after the revocation of a banking license from a credit institution, it carries out the same functions and has the same powers as a provisional administration appointed when the powers of a credit institution's executive bodies are suspended, except the function of working out financial rehabilitation measures and organizing and supervising their implementation.</p> <p>A provisional administration appointed after the revocation of a banking license from a credit institution should make an examination of a credit institution to establish if it has any signs of insolvency (bankruptcy). If it has, the provisional administration should request the Bank of Russia to file an application to an arbitration court to declare the credit institution bankrupt.</p> <p>After the credit institution has had its banking license revoked, the provisional administration checks if there is evidence of deliberate bankruptcy and notifies the creditors about the acceptance by the arbitration court of the bankruptcy statement by publishing information within 10 calendar days at the credit institution's expense in the <i>Bank of Russia Bulletin</i> and in a periodical at the credit institution's location.</p> <p>The provisional administration discloses information on the debtor's financial standing according to the procedure established by the Bank of Russia within 10 calendar days after the arbitration court accepts the bankruptcy statement.</p> <p>While the Bank of Russia statement on the credit institution's bankruptcy is considered by the arbitration court, the provisional administration presents a statement on the debtor's financial standing, list of creditors and any evidence of deliberate bankruptcy.</p>	<p>2015, "On Specifics of the Procedure of Issuing Bank Shares with State Corporation Deposit Insurance Agency Implementing Bank Bankruptcy Prevention Measures".</p>
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Should the provisional administration lack the funds necessary to fulfil the credit institution's current obligations relating to the protection of its property and creditors' interests, it may request the court, court of arbitration to release from previous attachment funds in bank accounts to the amount needed for the credit institution to operate according to the budget of expenditure approved by the Bank of Russia.

During three working days followed the publication date of the data specified in paragraphs 19 and 20 of this Clause, the provisional administration sends them to the Bank of Russia to be included into the Single Federal Register of Bankruptcy Data. To establish the creditors of a credit institution and the size of their claims on it, the provisional administration may record creditors' claims in a register of creditors' claims, whose form is established by the Bank of Russia regulation in agreement with the Deposit Insurance Agency.

To enable creditors to make their claims on the credit institution, the provisional administration sends to the official publication established by the authorized by the Russian Government federal body of executive power under the Federal Law on Insolvency (Bankruptcy) and publishes in the *Bank of Russia Bulletin* a notice containing information on the credit institution (title and other particulars) and its address and information on the provisional administration. It also sends the information to the Bank of Russia to be included into the Single Federal Register of Bankruptcy Data. This notice is published by the provisional administration at the expense of the credit institution's property.

Creditors of the credit institution may present their claims on it at any time during the provisional administration's term of office. When presenting such claims, the creditor must indicate along with the substance of his claims his full name, date of birth, ID details and postal address for sending correspondence (for a private individual) and domicile (for a legal entity) and bank particulars (if there are any).

A claimant must notify the provisional administration in due time about any changes in the information indicated in the twenty-fifth paragraph of Section 19.3. Should he fail to do so or should he be late in doing so, neither the provisional administration nor credit institution will be liable for the losses incurred in this case.

A claim on the credit institution with the decisions of the court and arbitration court, the rulings on the issue of the writ of execution of the court of arbitration and other original documents or their appropriately attested copies confirming the validity

of the claim attached to it are presented to the provisional administration.

The provisional administration examines the claim presented to it and taking into account the results of this examination, it includes it within 30 days after its receipt in the register of creditors' claims, if it considers it justified. Within the same time period, the provisional administration notifies the creditor that his claim or a part thereof has been included or not included in the register. If a creditor's claim is included in the register of creditors' claims, the corresponding notice sent to the creditor contains information on the size, composition and priority of his claim on the debtor.

Taking into consideration creditors' claims, the provisional administration compiles a register of creditors' claims on a credit institution, indicating in it data on creditors, the size of the claims, priority of each claim and the grounds for their presentation. The register of creditors' claims on a credit institution is passed to the receiver or liquidator of the credit institution.

Creditors' claims made on a credit institution during the term of office of its provisional administration but not considered by the latter by the expiry of its term are entered in a list and passed to the receiver or liquidator of the credit institution.

Work of the provisional administration appointed after the revocation of a banking license from a credit institution being a professional participant of the securities market is stipulated by Article 189³³ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)".

Acting as the provisional administration, the Deposit Insurance Agency (hereinafter referred to as the Agency, may:

- 1) exercise the powers established by the Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)" and the Bank of Russia regulations issued in pursuance of this Law for the provisional administration in case of the suspension of the powers of the bank executive bodies;
- 2) take action connected with the reduction of the bank authorized capital to the level of its equity capital and pass the decision to make amendments to the bank's charter;
- 3) take action connected with the increase of authorized capital, including passing the decision to place shares, approve the decision to issue shares and the report on share issue results and pass a decision to amend the charter;
- 4) pass a decision to reorganise a bank;
- 5) sell the bank's property, including its acquisition by the Agency;

		<ol style="list-style-type: none"> 6) transfer the bank's property and obligations or a part thereof; 7) take court action to declare invalid the transactions conducted by the bank on the grounds established by Articles 61¹-61⁹ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)"; 8) refuse to execute a bank's contract in the cases and according to the procedure established by Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)"; 9) initiate the sale of property used as collateral for a bank's obligations, including obligations to the Bank of Russia; 10) carry out other measures to prevent the bankruptcy of a bank; 11) pass the decision to liquidate a bank. <p>In the event of the halting of the activities of the provisional administration in the cases initiated by the provisional administration, the bank acts as a plaintiff and in the event of the arbitration court's decision to declare the bank bankrupt and start the bankruptcy proceedings (appoint a receiver) or the arbitration court's decision to appoint a liquidator, the receiver or the liquidator acts as a plaintiff.</p> <p>The functions of the provisional administration are imposed on the Agency for the period no more than six months.</p>	
19.3.1	Criteria	<p>The Bank of Russia may appoint a provisional administration to a credit institution if:</p> <ol style="list-style-type: none"> 1) a credit institution fails to meet the pecuniary claims (claim) of creditors (a creditor) and (or) fails to effect compulsory payments for more than seven days and more from the day they fall due, owing to a lack or shortage of funds in the credit institution's correspondent accounts; 2) a credit institution has allowed its equity capital to decrease from its highest 12-month level by more than 30% and at the same time failed to comply with one of the required ratios established by the Bank of Russia; 3) a credit institution has violated the Bank of Russia current liquidity ratio by more than 20% during the past month; 4) a credit institution does not obey the Bank of Russia order to replace its chief executive or carry out the financial rehabilitation measures or reorganize within the established time period; 5) there are grounds for revoking a banking license from a credit institution under the Banking Law; 6) the Bank of Russia Banking Supervision Committee has approved the plan of the Agency's participation in carrying out 	<p>Article 20 of the Banking Law:</p> <p>Article 189²⁶, Clause 4 of Article 189⁴⁷ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)".</p>

		<p>measures to prevent the bank's bankruptcy.</p> <p>The Bank of Russia should appoint a provisional administration to a credit institution no later than the day following the day the credit institution had its banking license revoked.</p> <p>The Bank of Russia may pass the decision to send the representatives of the Bank of Russia and the Agency to evaluate the financial standing of a bank for the purpose of deciding whether the Agency should take part in carrying out measures to prevent its bankruptcy or in satisfying bank's obligations.</p>	
19.3.2	Procedure	<p>The decision to appoint a provisional administration is taken by the Bank of Russia Banking Supervision Committee or the Governor of the Bank of Russia. It is taken at the request of the Bank of Russia regional branch at the location of the credit institution and/or the Bank of Russia Credit Institutions' Licensing and Financial Rehabilitation Department.</p> <p>The decision to send the Deposit Insurance Agency the invitation to participate in preventing the bankruptcy of a bank is taken by the Bank of Russia Banking Supervision Committee.</p>	<p>Regulation No. 279-P;</p> <p>The Rules of the Bank of Russia Banking Supervision Committee (approved by the Bank of Russia Board of Directors' decision of August 10, 2004, Protocol No. 21);</p> <p>Part 12 of Article 189⁴⁷ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)".</p>
19.3.3	Functions of provisional administration in case of limiting or	<p>Should its powers be limited, the management bodies of a credit institution may conduct the following transactions only with the permission of the provisional administration:</p> <p>transactions connected with leasing and mortgaging the credit institution's real estate, using it as a contribution paid to the authorized capital of third parties and managing this property in some other manner;</p>	<p>Articles 189³⁰ and 189³¹ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency</p>

	suspending the powers of a credit institution's executive bodies	<p>transactions connected with the management of the credit institution's other property with a balance sheet value of more than 1% of the balance sheet value of the credit institution's assets, including transactions connected with the receipt and extension of credits and loans, the issue of guarantees and warranties, the cession of the rights of claim, the assumption and remission of a debt, debt restructuring, release-money and the establishment of trust management;</p> <p>transactions with interested or affiliated parties, established under federal law, or with entities whose activities the credit institution controls over or exerts material influence on or with entities which control over or exert material influence on the credit institution.</p> <p>Should the powers of the executive bodies of a credit institution be suspended, the provisional administration may conduct the following transactions only with the permission of the board of directors (supervisory board) of the credit institution or a general meeting of its founders (members) within their competence established by federal law and the credit institution's founding documents:</p> <p>transactions connected with leasing or mortgaging the credit institution's real estate, using it as a contribution paid to the authorized capital of third parties and managing this property in some other manner;</p> <p>transactions connected with the management of the credit institution's other property with a balance sheet value of more than 5% of the balance sheet value of the credit institution's assets, including transactions connected with the receipt and extension of credits and loans, the issue of guarantees and warranties, the cession of the rights of claim, the transfer and remission of debt, debt restructuring, release-money and the establishment of trust management.</p>	(Bankruptcy)";
19.4	Powers to raise the issue of a bank's liquidation or bankruptcy	<p>Before a credit institution has its banking license revoked, its founders (members) may raise the issue of the voluntary liquidation of the credit institution.</p> <p>Within 15 working days after the revocation of the banking license from a credit institution the Bank of Russia should file an appeal to the arbitration court to liquidate the credit institution unless by the license revocation date a credit institution had signs of insolvency (bankruptcy) stipulated by Paragraph 4.1 of Section IX of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)".</p> <p>After a credit institution with signs of insolvency (bankruptcy) has had its banking license revoked, an application to an</p>	<p>Article 23 of the Banking Law;</p> <p>Article 23.1 of the Banking Law;</p> <p>Article 189⁶¹ of Federal Law No. 127-FZ, dated</p>

		arbitration court to declare the credit institution insolvent (bankrupt) may be filed by the credit institution, the Bank of Russia, creditors and the body established by law and the debtor's employees and former employees having claims for discharge allowance and (or) remuneration of labor.	October 26, 2002, "On Insolvency (Bankruptcy)";
19.4.1	Criteria	<p>A credit institution is liquidated by the decision of its founders (members) under federal law and Bank of Russia regulations if the credit institution has not committed any violations of legislation, has no signs of insolvency (bankruptcy) and has enough funds to settle all accounts with all creditors.</p> <p>In this case, the Bank of Russia makes the decision in response to a credit institution's request to cancel its banking license. If the credit institution has had its banking license revoked pursuant to Article 20 of the Banking Law and at the time of the revocation of its banking license the credit institution has no signs of insolvency (bankruptcy), the Bank of Russia should file an application with an arbitration court to order the compulsory liquidation of the credit institution.</p> <p>If at the time of the revocation of its banking license a credit institution has any signs of insolvency (bankruptcy), even if the signs of insolvency are detected by the provisional administration appointed to the credit institution by an order of the Bank of Russia after the revocation of its banking license, the Bank of Russia should apply to the arbitration court to have this credit institution pronounced bankrupt, while the credit institution and its creditors and the bodies authorized by law and the debtor's employees and former employees having claims for discharge allowance and (or) remuneration of labor may file an application with an arbitration court to declare this credit institution insolvent (bankrupt).</p>	<p>Articles 23 of the Banking Law;</p> <p>Bank of Russia Ordinance No. 2652-U, dated June 24, 2011, "On the Procedure for Making a Request by a Credit Institution to Cancel its Banking License Owing to its Liquidation by the Decision of its Founders (Owners) and its Consideration by the Bank of Russia";</p> <p>Article 23.1 of the Banking Law;</p> <p>Article 189⁶¹ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)";</p>
19.4.2	Procedure	Should the founders (members) of a credit institution make the decision on its voluntary liquidation, they request the Bank of	Article 23 of the Banking

		<p>Russia to cancel its banking license and approve the makeup of the liquidation commission (liquidator).</p> <p>Should a credit institution have no signs of insolvency (bankruptcy), the Bank of Russia should within 15 working days from the license revocation date file an application with an arbitration court to liquidate the credit institution.</p> <p>If by the day of the revocation of a banking license from a credit institution it has the signs of insolvency (bankruptcy), the Bank of Russia should file an application with an arbitration court to declare the credit institution bankrupt within five days after publishing its license revocation order in the <i>Bank of Russia Bulletin</i>.</p> <p>Should the signs of insolvency (bankruptcy) of a credit institution be detected by the provisional administration appointed by the Bank of Russia after the revocation of its banking license, the Bank of Russia files an application with an arbitration court to declare the credit institution bankrupt within five days after the receipt of the provisional administration's request.</p>	<p>Law; Bank of Russia Ordinance No. 2652-U, dated June 24, 2011, "On the Procedure for Making a Request by a Credit Institution to Cancel its Banking License Owing to its Liquidation by the Decision of its Founders (Owners) and its Consideration by the Bank of Russia" (hereinafter referred to as Ordinance No. 2652-U); Article 23.1 of the Banking Law; Article 189⁶¹ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)";</p>
19.4.3	The appointment of a liquidation commission (liquidator) and	<p>When a credit institution is being liquidated, its founders (members) appoint a liquidation commission (liquidator) in agreement with the Bank of Russia.</p> <p>In the event of bankruptcy (compulsory liquidation) of a credit institution, a receiver (liquidator) is appointed by the arbitration court. If a credit institution had the Bank of Russia license to take household funds on deposit, an arbitration court confirms the</p>	<p>Article 23 of the Banking Law; Article 23.2 of the Banking Law;</p>

	receiver	<p>Deposit Insurance Agency as a receiver (liquidator) of the credit institution.</p> <p>The arbitration court appoints as a receiver (liquidator) of a credit institution that did not have the Bank of Russia license to take household funds on deposit a receiver who complies with the requirements of Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)” and is accredited with the Bank of Russia as a receiver of bankrupt credit institutions.</p>	<p>Articles 45, 189⁶⁸, 189⁷⁷ of Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”;</p> <p>Bank of Russia Regulation No. 265-P, dated December 14, 2004, “On the Accreditation of Arbitration Managers with the Bank of Russia as Receivers of Bankrupt Credit Institutions”.</p>
19.4.4	Payment for liquidation procedures	<p>The expenses involved in the maintenance of a liquidation commission (liquidator) in the event of the voluntary or compulsory liquidation are covered from the funds of the credit institution being liquidated.</p> <p>The expenses related to the publication of information on the bankruptcy of a credit institution and initiation of bankruptcy proceedings, preliminary payments to primary lenders, and expenses related to the publication of bankruptcy data in the Single Federal Register of Bankruptcy Data are covered from the property of the credit institution.</p> <p>If a credit institution does not have enough property to cover the cost of publication, it is covered by the person who initiated the bankruptcy proceedings.</p> <p>When the Bank of Russia files an appeal to the arbitration court to declare a credit institution bankrupt and the credit institution does not have enough property to cover the expenses involved in the publication of information stipulated by Clause 2 of Article 189.74 of Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”, this information is published in the <i>Bank of Russia Bulletin</i> and included in the Single Federal Register of Bankruptcy Data free of charge.</p>	<p>Article 20.6 and 20.7, Clause 6 of Article 189⁶⁷, Clause 4 of Article 189⁷⁴, Clause 1 of Article 189⁷⁷ of Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”.</p>

		The Deposit Insurance Agency is paid no compensation for performing the receiver's (liquidator's) functions.	
19.4.5	Ranking of claims	<p>In the event of the voluntary liquidation of a credit institution, creditors' claims are settled in the following order:</p> <ul style="list-style-type: none"> - first: claims by citizens to whom the credit institution being liquidated is liable for damage to life or health through the capitalization of the corresponding time payments; - claims by citizens who are creditors of the banks under bank deposit or bank account agreements concluded with them, or in their favor, except for agreements with individual entrepreneurs and other professionals, with regard to the principal and interest due, claims by the organization performing the compulsory deposit insurance functions in connection with the payment of compensation on deposits under the Deposit Insurance Law and Bank of Russia claims in relation to compensation paid on household deposits under the law; - third: settlements on compulsory payments to the budget and extra-budgetary funds are effected; - fourth: settlements with other creditors are effected. <p>In the event of a credit institution's compulsory liquidation and bankruptcy, current obligations are settled out of turn from the credit institution's property.</p> <p>Outstanding liabilities of a credit institution signify:</p> <ol style="list-style-type: none"> 1) obligations to pay the debt accrued by the banking license revocation day for the work done (services provided) in connection with the continued functioning of the credit institution within the expense budget approved by the Bank of Russia pursuant to the Banking Law; 2) pecuniary obligations that originated in the period from the day the credit institution's banking license was revoked to the day the bankruptcy proceedings were completed, including: <ul style="list-style-type: none"> obligations to cover the expenses involved in the continued functioning of the credit institution, including remuneration for persons who worked under contract and allowance payments to these persons in case of their dismissal; obligations to pay compensation to the receiver accredited with the Bank of Russia; the credit institution's legal costs, expenses involved in the publication of announcements required by the Federal Law on Insolvency (Bankruptcy) and other expenses arising from this Federal Law involved in the bankruptcy proceedings; 	<p>Article 64 of the Civil Code of the Russian Federation.</p> <p>Articles 134, 136, 137, 189⁵⁴, 189⁹² of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)";</p> <p>Articles 20 and 23.4 of the Banking Law;</p> <p>Article 13 of the Deposit Insurance Law;</p> <p>Article 9 of Federal Law No. 96-FZ, dated July 29, 2004, "On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System".</p>

		<p>3) obligations to make mandatory payments that arose in the period from the day the credit institution had its banking license revoked to the day the bankruptcy proceedings began and obligations to make mandatory payments that arose in the course of bankruptcy proceedings in regard of compensation for the employees of the credit institution;</p> <p>4) obligations to make deductions from the wages paid to the credit institution’s employees in connection with the fulfilment of the duties indicated in Sub-clause 1 in the period from the day the credit institution had its banking license revoked to the day the bankruptcy proceedings were completed and obligations to transfer these deductions pursuant to the federal laws (alimony, individual income tax, trade union membership fees and other payments the employer should make under the federal law).</p> <p>Creditors’ claims are settled in the following order:</p> <ul style="list-style-type: none"> - first: claims by individuals who are creditors of the banks under the bank deposit and/or bank account agreements concluded with them, except the claims by individuals to compensate them for lost profits and pay fines to them and claims by individual entrepreneurs or lawyers and notaries if their accounts were opened for the conduct of entrepreneurial or professional activities stipulated by the federal law; - claims by persons to whom the credit institution being liquidated is liable for damage to life or health through the capitalization of the corresponding time payments; - claims by the organization performing the compulsory deposit insurance functions in connection with the payment of compensation on deposits under the Deposit Insurance Law. In addition, if a bankrupt bank is uncovered by the deposit insurance system, first are settled claims by the Bank of Russia in connection with the payment by the Bank of Russia of compensation of personal deposits under Federal Law No. 96-FZ, dated July 29, 2004, “On Bank of Russia Compensation Payments on Household Deposits with Bankrupt Banks Uncovered by the Deposit Insurance System”. - second: the settlements on severance pay and compensation payments to persons who worked or are working under labor agreements and the payment of royalties to authors for the results of their intellectual activity. <p>Claims by the head of the debtor, his/her deputies, persons who are members of the debtor’s collegiate executive body, the debtor’s chief accountant, his/her deputies, the head of a branch or a representative office of the debtor, his/her deputies on the payment of severance and (or) other compensations, the size of which was established by the relevant labor contract, in case of</p>	<p>Article 134 of Federal Law “On Insolvency (Bankruptcy)”;</p>
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		<p>its termination inasmuch as this exceeds the minimum size of corresponding payments set by the labor legislation, are not included in secondary lender claims and shall be settled after satisfying the claims by the creditors of the third priority.</p> <p>On application from a receiver, an arbitration court may reduce the size of claims on wage payments to the persons who work or worked under labor contracts and include the head of the debtor, his/her deputies, persons who are members of the debtor's collegiate executive body, the debtor's chief accountant, his/her deputies, the head of a branch or a representative office of the debtor, his/her deputies, whose claims shall be settled as part of claims by creditors on current payments and (or) as part of claims by second-priority creditors in cases when during six months before the arbitration court accepted an application for recognizing the debtor as bankrupt the size of wage payment to these persons was increased compared with the size of wages established before the commencement of this period. Should an arbitration court make this decision, the claims by the corresponding persons related to the payment of compensation for the difference between the increased size of wage payment and the original wage shall be settled after the claims by the third-priority creditors are satisfied.</p> <p>- third: the settlements with other creditors, including creditors of net claims.</p> <p>Claims by individual creditors of a credit institution under bank deposit and (or) bank account agreements concluded with them for compensation of loss in the form of lost profit and for the payment of financial sanctions are included in the third-rank claims.</p> <p>After settlements with all third priority creditors have been completed, settlements are effectuated to meet creditors' claims under the transaction recognized as null and void under Clause 2 of Article 61.2 and Clause 3 of Article 61.3 of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)."</p> <p>Claims by creditors on obligations secured by a credit institution's property are met from the value of this property mostly in regard to obligations to other creditors, except the obligations to the first and second ranking creditors.</p> <p>Creditors' claims to subordinated loans (deposits, loans and bonded loans) are settled after all other claims have been settled.</p>	
19.4.6	Supervision of liquidation procedures	The Bank of Russia establishes the reporting forms for liquidated credit institutions and the procedure for compiling and presenting them to the Central Bank of the Russian Federation for the purpose of oversight of the sale of property (assets) and the spending of funds, including those used on the functioning of the credit institution, the payment of compensation to the	Article 63 of the Civil Code of the Russian Federation;

		<p>receiver (liquidator) and the satisfaction of creditors' claims.</p> <p>The founders (members) of a credit institution who made the decision to liquidate it should agree with the Bank of Russia the composition of a liquidation commission or the liquidator, an interim liquidation balance sheet and a liquidation balance sheet.</p> <p>The activities of a liquidator in the event of the compulsory liquidation of a credit institution are supervised by an arbitration court, creditors' meeting (committee) and the Bank of Russia.</p> <p>The Bank of Russia specifies the procedure for conducting settlement operations by a credit institution after the revocation of its banking license and the procedure for using accounts by the receiver (liquidator and liquidation commission).</p> <p>The activities of a receiver within the framework of a credit institution's bankruptcy procedure are supervised by an arbitration court, creditors' meeting (committee), the Bank of Russia, self-regulating organization of arbitration managers and persons involved in a bankruptcy case.</p> <p>The non-fulfilment or improper fulfilment by a receiver of his duties and the cancellation by the Bank of Russia of the receiver's accreditation (with the Bank of Russia) may provide grounds for an arbitration court to relieve the receiver of his duties.</p> <p>Receivers (liquidators, liquidation commissions) compile interim liquidation balance sheets and liquidation balance sheets in compliance with Bank of Russia rules and regulations and submit them to the Bank of Russia for approval.</p> <p>The Bank of Russia should approve an interim liquidation balance sheet and liquidation balance sheet within 30 days after the receipt of the documents required by Bank of Russia rules and regulations.</p> <p>An interim liquidation balance sheet is compiled after the closure of the register of creditors' claims within six months after the beginning of the bankruptcy proceedings and should contain information on the composition of property of the credit institution being liquidated, the claims made by creditors and the register of creditors' claims and information on preliminary payments made to the creditors of first priority. A liquidation balance sheet is compiled after settlements with creditors have been completed.</p> <p>The Bank of Russia may inspect the compliance of a receiver's (liquidator's) activities with regulations in the cases set in and according to the procedure established by Bank of Russia regulations and it may order a receiver (liquidator) to eliminate</p>	<p>Article 20, 23, 23.2 and 23.4 of the Banking Law; Articles 17 22, 189⁷⁷, 189⁷⁹, 189⁸¹ and 189⁹⁸ of Federal Law No.127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)"; Bank of Russia Regulation No. 265-P, dated December 14, 2004, "On the Accreditation of Arbitration Managers with the Bank of Russia as Receivers of Bankrupt Credit Institutions"; Bank of Russia Regulation No. 301-P, dated January 16, 2007, "On the Procedure for Compiling and Presenting an Interim Liquidation Balance Sheet and Liquidation Balance Sheet of a Credit Institution</p>
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		<p>infractions of regulations connected with a liquidation of a credit institution that were discovered as a result of the examination of data reported by the receiver (liquidator) or inspection of his work.</p> <p>The losses inflicted by a receiver accredited with the Bank of Russia as a result of the non-fulfilment or improper fulfilment of his duties on persons involved in a bankruptcy case are compensated from the receiver's property and liability insurance against such losses.</p> <p>The Bank of Russia may cancel the accreditation or refuse to extend the term of accreditation of a receiver (accredited with the Bank of Russia) on any of the following grounds:</p> <ul style="list-style-type: none"> - if the receiver (liquidator) has been relieved of his duties by an arbitration court; - if the terms and conditions of the accreditation have been violated; - if the receiver's (liquidator's) violation of the Federal Law on Insolvency (Bankruptcy) has led to a significant infringement of creditors' rights, unjustified expenditure of bankrupt assets and disproportionate settlement of creditors' claims; - if the receiver has failed to obey the Bank of Russia order to rectify the faults discovered during the inspection of his activities or on the basis of reporting data submitted by him; - on the results of the consideration of the creditor committee's complaint against the receiver or of an application for the cancellation of an accreditation. <p>The decision by the Bank of Russia to refuse to accredit a receiver or cancel a receiver's accreditation or to refuse to extend the term of a receiver's accreditation may be appealed against in a court of arbitration.</p>	<p>and Their Approval by a Bank of Russia Regional Branch";</p> <p>Bank of Russia Regulation No. 533-P, dated February 5, 2016, "On the Procedure for the Bank of Russia to Inspect the Work of a Credit Institution Receiver or Liquidator";</p> <p>Bank of Russia Ordinance No. 1594-U, dated July 14, 2005, "On the List, Forms and Procedure for Compiling and Presenting to the Central Bank of the Russian Federation Reports by Credit Institutions Being Liquidated";</p> <p>Bank of Russia Ordinance No. 1853-U, dated July 5, 2007, "On the Specifics of the Procedure for Conducting Settlement</p>
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			Operations by a Credit Institution after the Revocation of Its Banking License and on the Accounts Used by the Receiver (Liquidator and Liquidation Commission)”.
20	Cross-border supervision		
20.1	The powers to regulate foreign institutions, joint ventures and organizations associated with national banks on a consolidated basis	<p>A credit institution may establish subsidiaries in a foreign state with the permission and in compliance with the requirements of the Bank of Russia.</p> <p>The Bank of Russia supervises subsidiary and affiliated credit institutions located in foreign states on a consolidated basis in the course of supervising banking groups. Federal laws and Bank of Russia regulations establish common requirements for the resident and non-resident members of a group in respect of presenting data to the group’s parent credit institution.</p> <p>In the course of supervising on a consolidated basis, the Bank of Russia does not set special requirements for non-residents. The subsidiary credit institutions of the parent credit organization of a banking group registered as legal entities in the member states of the Organization for Economic Cooperation and Development and (or) European Union, which introduced the EU single monetary unit, with a high level of income according to World Bank classification, and countries with “1”-country grade may choose between prudential regulation rules set by the supervisory authorities of the above-mentioned countries and Bank of Russia requirements in including reporting data in the calculation of the value of capital, required ratios and the size (limits) of open currency positions of the banking group.</p> <p>Should a banking group violate the required ratios or exceed open currency positions, calculated on a consolidated basis, or should the situation in a banking group endanger the legitimate interests of creditors and depositors of member credit</p>	Articles 35, 51, 74 and 75 of the Bank of Russia Law; Regulation No. 290-P; Article 51 of the Bank of Russia Law; Article 43 of the Banking Law; Regulation No. 509-P.

		<p>institutions, the Bank of Russia uses sanctions against the parent credit institution of the group and the resident member credit institutions that committed the violations, as stipulated by federal legislation.</p> <p>Applicable legislation does not grant the Bank of Russia the right to supervise individual activities of the member non-financial institutions and non-resident members of banking groups.</p>	
20.2	The powers to inspect foreign-based establishments of national banks and associated organizations	The Bank of Russia has the right to inspect foreign-based credit institutions that are members of banking groups and bank holding companies.	Article 73 of the Bank of Russia Law.
20.3	The powers to conclude agreements with foreign and national financial supervisory authorities for the purpose of cross-border supervision or co-ordination of supervision by sector (of the financial market)	The Bank of Russia represents the interests of the Russian Federation in relations with the central banks of foreign states and in relations with international banks and other international monetary and financial organizations.	Article 51 of the Bank of Russia Law.
20.4	The powers to	The Bank of Russia may request the central bank or banking supervisory authority of a foreign state to provide information and	Article 51 and 51.1 and 73

	<p>maintain relations and exchange supervisory information and permit inspections by foreign supervisors</p>	<p>(or) documents, including those having banking secrets, received from credit institutions, banking groups, bank holding companies and other associations with credit institutions being members of in the course of supervision and inspection. In respect to the information and documents received from the central bank and banking supervisory authority of foreign states, the Bank of Russia must comply with information disclosure and document provision requirements established by Russian legislation, allowing for requirements set by legislation of a foreign state. The information and (or) documents received by the Bank of Russia from the central bank and banking supervisory authority of the foreign state may be passed to third parties, including law-enforcement authorities, only with the consent of the central bank and (or) banking supervisory authority of the foreign state that have given the information, or to court under its decision in criminal proceedings.</p> <p>The Bank of Russia has the right to provide the central bank and banking supervisory authority of the foreign state with information and (or) documents necessary for banking supervision, including those having banking secrets, received from credit institutions, banking groups, bank holding companies and other associations with credit institutions being members of in the course of their supervision and inspection, except for information being state secrecy. The Bank of Russia furnishes this information and (or) documents to the central bank and (or) banking supervisory authority of the foreign state if foreign legislation provides for the level of protection of the information and documents given by the Bank of Russia (compliance with confidentiality requirements) not lower than the protection level (compliance with confidentiality requirements) stipulated by Russian legislation. If information exchange is regulated by international agreements, the Bank of Russia gives this information and (or) documents in accordance with the provisions of these agreements. The central bank and banking supervisory authority of the foreign state are required not to present them to third parties, including law-enforcement authorities, without Bank of Russia's prior written consent, except for giving such information to court in criminal proceedings.</p> <p>The Bank of Russia has the right to request a foreign financial regulator to provide the information and (or) documents, including those having banking secrets.</p> <p>The Bank of Russia exchanges information and (or) documents, including those having banking secrets (hereinafter referred to as confidential information) with the foreign financial regulator based and in accordance with:</p> <ol style="list-style-type: none"> 1) the IOSCO (International Organization of Securities Commissions) Multilateral Memorandum of Understanding for the 	<p>of the Bank of Russia Law; Ordinance No. 3089-U.</p>
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		<p>purposes of consultations, cooperation and exchange of information, the IAIS (International Association of Insurance Supervisors) Multilateral Memorandum of Understanding for cooperation and information exchange;</p> <p>2) Russia's international treaty;</p> <p>3) the bilateral agreement with the foreign financial regulator providing for information exchange if respective foreign legislation provides for the level of protection of information not lower than the protection level stipulated by Russian legislation.</p> <p>As for confidential information received from the foreign financial regulator, the Bank of Russia should comply with requirements for confidential information disclosure set by Russian legislation taking account of the procedure specified by part 2 of this Article.</p> <p>Confidential information received by the Bank of Russia from the foreign financial regulator may be passed to third parties only with the consent of this regulator, except for cases when it is provided to court in criminal proceedings.</p> <p>When the Bank of Russia receives a reasoned request from the foreign financial regulator according to the procedure stipulated by the agreements mentioned in paragraph five of this Note, the Bank of Russia based on a Financial Supervision Committee's decision sends an information request, which does not divulge the purposes of receiving such information.</p> <p>Based on a board of director's decision, the Bank of Russia is entitled to furnish to the foreign financial regulator confidential information on operations and (or) transactions if the latter has sent a reasoned request in cases specified by the agreements mentioned in paragraph five of this Note, as well as on persons conducted such operations and (or) transactions, and (or) beneficiaries of these operations and (or) transactions, except for data having state secrets.</p> <p>This confidential information is given by the Bank of Russia to the foreign financial regulator if relevant foreign legislation provides for the level of information protection not lower than the protection level stipulated by Russian legislation and if the foreign financial regulator does not pass it to third parties, including law-enforcement authorities, without Bank of Russia's prior written consent, except for cases when it is provided to court in criminal proceedings.</p> <p>The central bank or other supervisory authority of a foreign state which performs banking supervisory functions may receive access to the premises of Russia-based credit institutions that are members of banking groups, the parent organizations of which</p>	
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		<p>are foreign banks, and to information on its activities, provided that these credit institutions that are members of banking groups have given a written consent. The above-mentioned authorities inform the Bank of Russia about the results of these visits.</p> <p>A Bank of Russia regulation also requires to establish supervisory groups to supervise the activities of banking groups, if the parent credit organization of the banking group has a foreign-based subsidiary, whose activities are supervised by the central bank or other supervisory authority of a foreign state which performs banking supervisory functions.</p> <p>In addition, while supervising a banking group having a non-resident member, a Bank of Russia structural unit that supervises the activities of the banking group interacts with the central bank or other supervisory authority of a foreign state which supervises non-resident member of the banking group, including through an exchange of information necessary for the supervision of the banking group or its non-resident member, taking account of the requirements of Bank of Russia regulations set a procedure for an exchange of information between the Bank of Russia and the central banks or supervisory authorities of foreign states and provisions of a memorandum (agreement) on cooperation in the field of supervision signed by the Bank of Russia and a foreign banking supervisory authority.</p>	
20.5	Equal application of national standards to the establishments of foreign financial institutions	If the Bank of Russia has given its prior permission to create a credit institution with foreign investments, it takes the decision to register this credit institution and give it a banking license according to the same procedure as the one it follows when registering and licensing credit institutions set up without non-resident shareholding.	Articles 11, 11.1, 11.2, 17, 18 and 36 of the Banking Law; Section 2 of Regulation No. 437-P.
21	State banks		
21.1	Supervision of state banks	Credit institutions in which the state holds a stake are supervised in accordance with the general procedure.	
21.2	Equal application of prudential standards	See Clause 21.1.	

	and legal requirements to state banks		
21.3	Equal application of supervisory practices and sanctions and liquidation procedures to state banks	See Clause 21.1.	The Banking Law; The Bank of Russia Law.
21.4	The legal status of the state corporation Bank for Development and Foreign Economic Affairs (Vneshekonombank) (hereinafter referred to as Vneshekonombank).	Vneshekonombank is a state corporation set up by the Russian Federation and its status, purposes, functions and powers are established by the Federal Law on the Development Bank, other federal laws and legal acts issued on their basis. However, Vneshekonombank is not a bank as it is defined in the Banking Law and it is not supervised by the Bank of Russia.	Federal Law No. 82-FZ, dated May 17, 2007, "On the Development Bank".
22	Deposit insurance system		
22.1	The establishment of	To protect the rights and legitimate interests of bank depositors in Russia, strengthen confidence in the Russian banking system	Article 38 of the Banking

	<p>a deposit insurance system</p>	<p>and stimulate the inflow of household savings to the banking sector, Russia built a compulsory deposit insurance system.</p> <p>The Deposit Insurance Law establishes the legal, financial and organizational principles of operating the compulsory household bank deposit insurance system, the competence and procedure for founding and managing the organization performing the compulsory deposit insurance functions (State Corporation “Deposit Insurance Agency”) and the procedure for paying compensation on deposits and regulates relations in respect to the establishment and use of the compulsory deposit insurance fund.</p> <p>Starting from January 1, 2014, the mechanism of household deposit insurance with Russian banks has been extended to individual entrepreneurs due to an adoption of Federal Law No. 410-U, dated December 28, 2013, “On Amending the Federal Law on Non-government Pension Funds and Other Russian Laws”.</p> <p>The Bank of Russia effects payments from its own funds on deposits with bankrupt banks that had a license as of the date on which the Deposit Insurance Law came into force but did not participate in the compulsory deposit insurance system. The amount, procedure and terms and conditions of Bank of Russia payments are established by Federal Law No. 96-FZ, dated July 27, 2004, “On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System”. The Bank of Russia effects these payments through agent banks.</p>	<p>Law;</p> <p>The Deposit Insurance Law;</p> <p>Articles 3-6 of Federal Law No. 96-FZ, dated July 29, 2004, “On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System”;</p> <p>Bank of Russia Ordinance No. 1517-U, dated November 17, 2004, “On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System and on the Procedure for Co-operation of Agent Banks with the Bank of Russia” (hereinafter referred to as</p>
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			Ordinance No. 1517-U); Bank of Russia Ordinance No. 1516-U, dated November 17, 2004, “On the Procedure for Competitive Selection of Agent Banks to Effect Bank of Russia Payments on Household Deposits” (hereinafter referred to as Ordinance No. 1516-U).
22.2	The assessment of financial soundness of banks for the purpose of recognising it sufficient for participation in the deposit insurance system	The following groups of indicators are used to assess the financial soundness of a bank with each group being used for the overall evaluation and recognizing it acceptable or non-acceptable: <ol style="list-style-type: none"> 1) own funds (capital) including those indicators that illustrate capital adequacy and capital quality; 2) asset indicators including those indicators that illustrate loan and other asset quality, loan and other asset loss provisioning and risk concentration on assets; 3) profitability indicators including those illustrating return on assets, capital yield, income and expenditure structure, and return on individual operations and bank profitability in all; 4) liquidity indicators including those illustrating short-term bank asset liquidity, mid-term bank asset liquidity, and long-term bank asset liquidity as well as a large creditor or depositor risk; 5) quality indications of bank management including those illustrating risk management system, internal control status, and also the efforts to counteract the legalization (laundering) of criminally obtained incomes and financing of terrorism as well as business planning quality; 6) ownership structure transparency indicators. 	Article 44 of the Deposit Insurance Law; Bank of Russia Ordinance No. 3277-U, dated June 11, 2014, “On the Methods of Assessment of the Financial Soundness of a Bank for the Purpose of Ascertaining its Sufficiency for Participation in the Deposit Insurance System”; Bank of Russia Regulation No. 345-P, dated October

		<p>A bank is considered financially sound by the Bank of Russia if the overall result of its evaluation by each of the five groups of financial soundness indicators is considered acceptable.</p> <p>The indicator of observance of the procedure established by the Bank of Russia to ensure an unlimited number of people access to information on persons exercising control over or exerting material influence on the bank is excluded from the list of the financial soundness indicators since it is determined as an independent condition to consider a bank financially sound to participate in the deposit insurance system according to the procedure set by Bank of Russia regulations.</p> <p>A bank is recognized as a bank ensuring an unlimited number of people access to information on persons exercising control over or exerting material influence on the bank if it posts the following data on the Bank of Russia site according to the procedure set by Bank of Russia regulations:</p> <p><u>for private individuals</u>: full name, citizenship and residence (city or township name);</p> <p><u>for legal entities</u>: full trade name and abbreviation (if there is any), residence (postal address), principal state registration number, state registration date (the date on which information on the resident legal entity, registered before July 1, 2002, was entered into the State Register of Legal Entities).</p> <p>The procedures to assess a bank's financial soundness including the procedure to consider the overall result of its evaluation by each of the five groups of financial soundness indicators 'acceptable' or 'non-acceptable', 'the procedure for disclosing to an unlimited number of people information on persons exercising control over or exerting material influence on the bank are established by Bank of Russia regulations.</p>	<p>27, 2009, "On the Procedure for Disclosing by Banks Information on Persons Exercising Control over or Exerting Material Influence on Banks Participating in the Compulsory Household Bank Deposit Insurance System";</p> <p>Bank of Russia Ordinance No. 2005-U, dated April 30, 2008, "On the Assessment of the Economic Position of Banks".</p>
22.3	Funding	<p>The compulsory deposit insurance fund comprises the insurance premiums paid by the banks participating in the deposit insurance system; penalties imposed for the late and (or) incomplete payment of insurance premiums; the funds and other property received as a result of the settlement of the rights of claim acquired by the Deposit Insurance Agency as a result of the payment of compensation on deposits; federal budget funds in the cases stipulated by the Deposit Insurance Law; returns from the investment of temporarily free resources of the compulsory deposit insurance fund; the initial contribution of property made under Article 50 of the Deposit Insurance Law; other proceeds that are not prohibited by federal legislation.</p> <p>The funds of the compulsory deposit insurance fund may be used by the Agency to satisfy obligations on a loan granted by the</p>	<p>Articles 33, 34, 41, 42 and 50 of the Deposit Insurance Law.</p>

		<p>Bank of Russia according to Part 2.1 of Article 41 of the Deposit Insurance Law.</p> <p>The financial stability of the deposit insurance system is secured by the Deposit Insurance Agency's property and federal budget funds according to the procedure and under the terms and conditions established by this Federal Law and the budget legislation of the Russian Federation, as well as loans provided by the Bank of Russia under part 2.1 of this Article.</p> <p>The Board of Directors of the Agency at the suggestion of its Executive Management has the right to apply to the Bank of Russia for an unsecured loan for a term of up to five years to ensure the financial stability of the deposit insurance system, as well as to back deposit insurance payments.</p> <p>The deposit insurance system is supervised by the Government of the Russian Federation and the Bank of Russia.</p>	
22.4	Insurance framework	<p>A deposit is the funds denominated in the Russian or foreign currency placed by private individuals or in their favor with a bank domiciled in Russia under a bank deposit or bank account agreement, including capitalized (added) interest on the sum of the deposit.</p> <p>A depositor is a citizen of the Russian Federation, a foreign citizen or a person without citizenship who has concluded a bank deposit or bank account agreement with a bank or any of the above persons in whose favor a deposit has been made.</p> <p>All deposits must be insured, except funds placed in the bank accounts (deposits) of defence lawyers, notaries and other persons; funds placed by private individuals on bearer deposits, including the deposits confirmed by a bearer savings certificate and (or) a bearer savings book; funds put in trust; funds taken on deposit in the foreign-based branches of Russian banks; electronic funds; funds placed in personal accounts, except for specific personal accounts, which are opened to tutors or trustees and the beneficiaries of which are wards, mortgage accounts and escrow accounts; funds placed by individual entrepreneurs on subordinated deposits, unless otherwise provided by the Deposit Insurance Law.</p> <p>One of the following circumstances shall be an insured event:</p> <ol style="list-style-type: none"> 1. the revocation (cancellation) of the Bank of Russia banking license from a bank under the Banking Law if the plan of the Agency's involvement in the settlement of the bank's obligations has not been implemented under Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)"; 2. the imposition by the Bank of Russia under federal legislation of a moratorium on the settlement of claims of a 	Articles 2, 5 and 8 of the Deposit Insurance Law.

		bank's creditors.	
22.5	Level of insurance	<p>Deposit compensation is the amount of money that should be paid to a depositor under the Deposit Insurance Law when an insured event occurs.</p> <p>The amount of deposit compensation is established for each depositor, allowing for the sum of the deposit obligations to the depositor of the bank in respect to which an insured event has occurred, but no more than 1,400,000 rubles, unless otherwise provided by the Deposit Insurance Law. When calculating the sum of the bank's obligations to the depositor, the bank includes only deposits insured in accordance with the Deposit Insurance Law and the sum of the depositor's obligations to the bank. (See also Clause 22.5).</p> <p>If a depositor has several deposits with a bank, compensation is paid on each deposit in proportion to their amounts, but no more than 1,400,000 rubles in total. This term is effective in relation to all deposits made by a depositor (in favor of the depositor) with one bank, including deposits made in connection with entrepreneurial activities stipulated by federal legislation (except for escrow accounts specified by Article 12¹ of the Deposit Insurance Law).</p> <p>Compensation on deposits is calculated on the basis of the amount of the balance of funds in the depositor's account (accounts) with the bank as of the end of the day on which an insured event occurred.</p> <p>Should the obligation of the bank in respect to which an insured event has occurred be denominated in a foreign currency, compensation on this deposit is calculated in the Russian currency at the exchange rate set by the Bank of Russia as of the day on which an insured event occurred.</p> <p>A Bank of Russia compensation payment is a sum of money that must be paid to a depositor under Federal Law No. 96-FZ, dated July 29, 2004, "On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System," in the amount, according to the procedure and under the following conditions:</p> <ol style="list-style-type: none"> 1) if an arbitration court has declared the credit institution bankrupt; 2) if the time period set by paragraph 4.1 of Chapter IX of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)" for preliminary payments to the first-rank creditor has expired. <p>The amount of Bank of Russia payments are determined on the basis of 100% of the sum of the depositor's claims, recognized</p>	<p>Article 11 of the Deposit Insurance Law;</p> <p>Articles 4-6 of Federal law No. 96-FZ, dated July 29, 2004, "On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System";</p> <p>Ordinance No. 1517-U.</p> <p>.</p>

		<p>under insolvency (bankruptcy) legislation and determined pursuant to Article 4 of Federal Law No. 96-FZ, dated July 29, 2004, “On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System,” not exceeding 700,000 rubles less the preliminary payments made to creditors of 1st priority by the receiver pursuant to paragraph 4.1 of Chapter IX of Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”</p> <p>If the bank pronounced bankrupt was a creditor with regard to a depositor, the amount of the Bank of Russia payment is established on the basis of the difference between the sum of the depositor’s claims recognized under insolvency (bankruptcy) legislation and the sums of the bank’s counterclaims to the depositor and preliminary payments to the first-rank creditors, effected by the receiver under paragraph 4.1 of Chapter IX of Federal Law No. 127-FZ, dated October 26, 2002, “On Insolvency (Bankruptcy)”. Counterclaims by a bank to a depositor are the depositor’s pecuniary obligations to the bank that arise from transactions conducted under civil law and (or) in other circumstances indicated in the federal laws, which make the depositor a debtor of the bank.</p>	<p>Articles 4, 5 and 6 of Federal Law No. 96-FZ, dated July 29, 2004, “On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System”.</p>
22.6	Compensation payment procedure	<p>Compensation on deposits with a bank in regard to which the insured accident has occurred is paid to the depositor as 100% of the sum of the deposits with the bank not exceeding 1,400,000 rubles.</p> <p>Compensation on deposits is paid in the currency of the Russian Federation.</p> <p>Should the bank in respect to which an insured event has occurred be also a creditor with regard to the depositor, the amount of compensation on deposits is determined as the difference between the bank’s total obligations to the depositor and this bank’s total counterclaims to the depositor that had arisen before an insured event occurred.</p> <p>Bank of Russia payments are effected in accordance with the procedure established by the Bank of Russia.</p> <p>Bank of Russia payments are made in the Russian currency.</p> <p>Bank of Russia payments are effected by the Bank of Russia through the agent banks operating on behalf of the Bank of Russia and at its expense.</p>	<p>Articles 11 and 12 of the Deposit Insurance Law; Article 8 of Federal Law No. 96-FZ, dated July 29, 2004, “On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System”.</p> <p>Ordinance No. 1517-U; Ordinance No. 1516-U.</p>

22.7	Government guarantees	<p>The return of the part of household deposits that exceeds the amount of deposit compensation established by the Deposit Insurance Law in credit institutions with Bank of Russia shareholdings under bank deposit or bank account agreements concluded before October 1, 2004, if no changes or amendments were made to them after September 30, 2004, is guaranteed by the subsidiary responsibility of the Russian Government for depositors' claims on a bank in accordance with the procedure set by Article 399 of the Civil Code of the Russian Federation until January 1, 2007.</p> <p>For the purpose of strengthening confidence in the Russian banking system, Federal Law No. 96-FZ, dated July 29, 2004, "On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System", set out the legal, financial and organizational principles of effecting Bank of Russia payments on household deposits with banks declared bankrupt and uncovered by the deposit insurance system.</p>	<p>Article 49 of the Deposit Insurance Law;</p> <p>Article 1 of Federal Law No. 96-FZ, dated July 29, 2004, "On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System".</p>
23	Ensuring the functioning of the Central Catalogue of Credit Histories	<p>Federal Law No. 218-FZ, dated December 30, 2004, "On Credit Histories" requires the Bank of Russia to keep the Central Catalogue of Credit Histories (CCCH).</p> <p>The CCCH is designed to collect, store and provide to credit history makers and users information on credit bureau containing credit histories of credit history makers. Since credit bureaus are established in Russia as profit-making institutions competing with one another, the activities of the CCCH relating to the infrastructure make credit histories more accessible to potential creditors.</p>	<p>Article 13 of Federal Law No. 218-FZ, dated December 30, 2004, "On Credit Histories";</p> <p>Bank of Russia Ordinance No. 1611-U, dated August 31, 2005, "On the Procedure and Forms of Presenting to Credit Bureau Information Contained in Credit History Titles and Credit History Maker Codes to the Central</p>

			<p>Catalogue of Credit Histories”;</p> <p>Bank of Russia Ordinance No. 3893-U, dated December 11, 2015, “On the Procedure for Submitting Inquiries and Receiving Information from the Central Catalogue of Credit Histories via a Credit Institution”;</p> <p>Bank of Russia Ordinance No. 1610-U, dated August 31, 2005, “On the Procedure for Requesting and Receiving Information from the Central Catalogue of Credit Histories by Credit History Makers and Users through the Bank of Russia’s Web Site”;</p> <p>Bank of Russia Ordinance No. 3572-U, dated February 19, 2015, “On the</p>
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			<p>Procedure for the Submission of Inquiries to the Central Catalogue of Credit Histories and the Receipt of Information on the Credit History Bureau Keeping the Credit History of a Credit History Maker through a Credit History Bureau”;</p> <p>Bank of Russia Ordinance No. 3934-U, dated January 18, 2016, “On the Procedure for Submitting Inquiries to and Receiving Information from the Central Catalogue of Credit Histories via Post Offices”;</p> <p>Bank of Russia Ordinance No. 3701-U, dated June 29, 2015, “On the Procedure for Sending Inquiries to the Central Catalogue of Credit Histories and Receiving</p>
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			Information from it Via a Notary”; Bank of Russia Ordinance No. 4150-U, dated October 10, 2016, “On the Procedure for Transferring Credit Histories to the Central Catalogue of Credit Histories for Safekeeping”; Bank of Russia Ordinance No. 4106-U, dated August 23, 2016 “On the Procedure for the Free Transfer of Credit Histories to Credit History Bureaus on a Competitive Basis”.
24	Other		
24.1	1. Responsibility of founders, members of the board of directors and chief executives of a credit institution for actions that led to	See Clauses 2.3.1, 19.2.5, 19.2.6 and 19.2.8. The Bank of Russia shall have the right to refuse to give its consent to a transaction (transactions) aimed at acquiring more than 10% of the shares (stakes) in a credit institution and (or) establishing control over the credit institution’s shareholders (members) in case of: 1) finding unsatisfactory the financial position of a person conducting the transaction aimed at acquiring more than 10% of shares (stakes) in the credit institution and (or) establishing control over the credit institution’s shareholders (members);	Articles 11, 14 and 16 of the Banking Law; Article 3 of the Law on Joint-stock Companies; Article 3 of the Limited

	<p>its bankruptcy</p> <p>2. Rules of conduct of personnel of financial organizations in conducting transactions on financial markets</p>	<p>2) the absence of a positive decision of an anti-monopoly body on an application for conducting a transaction (transactions) made under Federal Law No. 135-FZ, dated July 26, 2006, "On the Protection of Competition", if the transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in the credit institution and (or) establishing control over the credit institution's shareholders (members) is (are) subject to control according to anti-monopoly legislation;</p> <p>3) the absence of a decision on prior approval of a transaction or establishing control under Federal Law No. 57-FZ, dated April 29, 2008, "On the Procedure for Foreign Investments in the Business Entities of Strategic Importance for National Defence and State Security", if the transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) is (are) subject to control according to the above-mentioned Federal Law;</p> <p>4) unsatisfactory business reputation of a person conducting a transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members) under Article 16 of this Federal Law relating to credit institution's shareholders (members) acquiring more than 10% of shares (stakes) in the credit institution. The deadlines specified by Paragraphs 3-5, 8, 11 and 12 of Clause 5 of Part 1 of Article 16 of this Federal Law are established in relation to a day of filing an application for conducting a transaction (transactions) aimed at acquiring more than 10% of shares (stakes) in a credit institution and (or) establishing control over the credit institution's shareholders (members);</p> <p>5) other reasons specified by federal laws and the Bank of Russia regulations issued under them (part 16 in the wording of Federal Law No. 146-FZ, dated July 2, 2013).</p> <p>The Bank of Russia shall refuse to give its consent to the performance of a transaction (transactions) for acquiring more than 10% of shares (stakes) in a credit institution and (or) aimed at establishing control over the credit institution's shareholders (members), if earlier a court of law has found a person performing the transaction aimed at acquiring more than 10% of shares (stakes) in the credit institution and (or) establishing control over the credit institution's shareholders (members) guilty of</p>	<p>Liability Company Law; Articles 10, 189²³ of Federal Law No. 127-FZ, dated October 26, 2002, "On Insolvency (Bankruptcy)";</p> <p>Parts 6-9 of Article 74 of the Bank of Russia Law; Bank of Russia Ordinance No. 3111-U, dated November 15, 2013, "On the Procedure for Sending by the Bank of Russia an Instruction or a Regulation on its Cancellation to a Shareholder (Member) of a Credit Institution".</p>
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inflicting losses on the credit institution when holding the position of a member of its board of directors (supervisory board), sole executive body, his/her deputy and (or) member of a collegiate executive body (the management board, directorate).

Should a shareholder (member) fail to comply with the procedure for disclosing information on persons who exercise control over or exert material influence on a credit institution pursuant to Federal Law No. 177-FZ, dated December 23, 2003, “On the Insurance of Household Deposits with Russian Banks” and to meet the obligations required by regulations when the grounds for taking measures to prevent the bankruptcy of a credit institution occur, he (she) is sent an instruction specifying a method to remedy the failure.

Should a shareholder (member) make a transaction (transactions) with a credit institution which led to the breach of required ratios by the credit institution, he (she) is sent an instruction specifying measures to remedy the breach of required ratios by the credit institution, caused by this transaction (these transactions).

Should the actions of a shareholder (participant) of a credit institution result in a violation by a credit institution (parent credit institution of a banking group, credit institution participating in a banking group) of requirements of the Federal Law “On Banks and Banking Activity” on compliance with charges to capital requirements established by the Bank of Russia and(or) the method for their calculation and the procedure for observing them and restoring capital established by the Bank of Russia, he (she) is sent an instruction specifying measures for a credit institution (parent credit institution of a banking group, credit institution participating in a banking group) to remove violations of charges to capital requirements established by the Bank of Russia and(or) the method for their calculation and the procedure for observing them and restoring capital connected with actions of a shareholder (participant) of a credit institution resulting in such violation.

The Bank of Russia’s instruction is subject to execution by the shareholder (member) of the credit institution within a period of no more than 45 calendar days from the date of receiving this instruction. If it is not executed, the right of vote of the shareholder (member) of the credit institution at the shareholders’ general meeting is suspended, the shares (stakes) of this shareholder (member) of the credit institution are not voting and shall not be counted in determining a quorum at the general meeting of the shareholders (members) of the credit institution from the day following the 45-day-period to the day of the

		<p>execution or cancellation of the corresponding instruction.</p> <p>The Bank of Russia is empowered to challenge the decisions of the shareholders' general meeting of the credit institution in a judicial procedure, as well as transactions made in execution of these decisions, in case the shareholder (member) who was sent the instruction influenced the decisions taken by the shareholders' general meeting of the credit institution.</p> <p>When the Bank of Russia receives documents proving remedial actions by the shareholder (member) of the credit institution, including those from the shareholder (member), the Bank of Russia verifies this information and if it is confirmed drafts an order cancelling the instruction within two working days following the receipt of information and a statement on the remedial actions by the shareholder (member) and grounds for the cancellation of the instruction with the copies of documents confirming the remedial actions enclosed.</p>	
24.2	Protection of consumer rights	<p>On July 1, 2014, Federal Law No. 353-FZ, dated December 21, 2013, "On Consumer Credit (Loan)" (hereinafter referred to as the Law) came into force. It is aimed at protecting consumer rights.</p> <p>Under the Law, consumer loans may be issued by credit institutions and non-bank financial organizations which perform professional activities in extending consumer loans (microfinance organizations, credit consumer cooperatives, agricultural credit consumer cooperatives, pawn shops).</p> <p>The Law stipulates a list of information about the terms and conditions of furnishing, using and repaying a consumer credit (loan) and a procedure for its disclosing by a creditor to the general public. An agreement on a consumer credit (loan) provides for general terms and conditions developed by a creditor for multiple use, and individual terms and conditions agreed with a borrower on a case-by-case basis. Specific terms and conditions are drafted by the creditor in a table form stipulated by Ordinance No. 3240-U, dated April 23, 2014, and given to the borrower for examination and a decision to be made on the credit (loan) to be received on such terms. The Law gives the borrower minimum 5 working days to take this decision during which the creditor is not entitled to change the individual terms and conditions (period of reflection). Should the borrower agree with the terms, the agreement is considered to be concluded.</p>	<p>Federal Law No. 353-FZ, dated December 21, 2013, "On Consumer Credit (Loan)";</p> <p>Bank of Russia Ordinance No. 3269-U, dated May 31, 2014, "On Amending Bank of Russia Ordinance No. 2332-U, Dated 12 November 2009, On the List, Forms and Procedure for Compiling and Submitting Reporting Forms of Credit Institutions</p>

	<p>The creditor is required by the Law to inform the borrower on the full cost of a consumer credit (loan)² (information indicator calculated as a percentage per annum which shows the borrower’s expenses related to the conclusion and execution of the agreement) under individual terms, and in case of an early repayment of the loan (part thereof) on a change of the variable value of a floating interest rate, and individual terms.</p> <p>To mitigate credit risk, Article 6 of the Law sets a procedure for the limitation of the full cost of the categories of consumer credits (loans) determined by the Bank of Russia. When concluding an agreement, the full cost of a consumer credit (loan) may not exceed the average market value calculated by the Bank of Russia for the corresponding category of a consumer credit (loan) and used in the respective calendar quarter by more than one third.</p> <p>If market environment affecting the full cost of a consumer credit (loan) changes significantly, the Bank of Russia may set a period during which the full cost of the consumer credit (loan) is not subject to limitation.</p> <p>The Law also grants the borrower after concluding the agreement the right of rejecting the consumer credit (loan) in full or partially before its issuing by the creditor (cooling-off period).</p> <p>Following the conclusion of the agreement, the creditor is obliged to inform the borrower free of charge about the value of his/her payments under the agreement and the amount of payments due on a monthly basis, as well as about an overdue loan no later than 7 days from the date of the delay in payment.</p> <p>Article 5 of the Law specifies maximum penalty amounts for the breach of the agreement and the priority of settling debts when there is no sufficient funds paid by the borrower.</p> <p>The Law stipulates specific action aimed at debt recovery.</p> <p>The Bank of Russia exercises control over the compliance by credit institutions and non-bank financial organizations with Law</p>	<p>to the Central Bank of the Russian Federation” establishing Reporting Form 0409126 “Information on Weighted Average of Full Cost of a Consumer Credit (Loan)”</p>
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² Weighted average of the full cost of loan and other information on the issues of regulation of consumer lending is provided in sub-section Consumer Lending of Section Information and Analytical Materials of the Bank of Russia official website (http://os.cbr.ru/analytics/?PrId=consumer_lending)

		<p>requirements.</p> <p>The Bank of Russia is entitled to apply measures envisaged by the Federal Law “On the Central Bank of the Russian Federation (Bank of Russia)” to violating credit institutions, e.g., to demand from the credit institution to remove the revealed violations and levy a fine in the amount of 300 thousand rubles or restrict credit institution’s operations to issue loans to households for up to six months.</p> <p>Violators can also be called to administrative account.</p> <p>The violation of the consumer’s right for necessary and reliable information about the goods (work, service), its manufacturer, seller, executor and their working hours (entails a warning or an imposition of an administrative fine in the amount of 500 to 1,000 rubles for officials and in the amount of 5,000 to 10,000 rubles for legal entities).</p> <p>The inclusion of conditions infringing upon lawful consumer’s rights in the agreement (entails an imposition of an administrative fine in the amount of 1,000 to 2,000 rubles for officials and in the amount of 10,000 to 20,000 rubles for legal entities).</p> <p>Article 172 of the Russian Federation Criminal Code establishes liability for illegal banking activities (without the respective Bank of Russia permission), if these operations caused large damage to citizens, organizations or the state, or are associated with deriving significant revenues (over 1.5 million rubles).</p> <p>Under Article 14.56 of the Russian Federation Code on Administrative Offences, officers and legal entities are liable for illegal professional activities on extending consumer loans (except banking operations).</p> <p>Under Article 14.57 of the Russian Federation Code on Administrative Offences, a legal entity with whom a creditor has concluded a contract of agency that provides for actions taken by this entity to repay a consumer loan is liable for the violation of this Law when taking these actions.</p> <p>In compliance with Article 9.1 of Federal Law No. 102-FZ, dated July 16, 1998, “ On Mortgages”, the requirements to the relations arising from the issuance of a consumer loan secured by mortgage are as follows:</p>	<p>Bank of Russia Ordinance No. 3495-U, dated December 18, 2014, “On Setting a Period When the Full Cost of a Consumer Credit (Loan) Is not Subject to Limitation”;</p> <p>Article 172 of the Russian Federation Criminal Code;</p> <p>Articles 14.8, 14.56 and 14.57 of the Russian Federation Code on Administrative Offences.</p> <p>Article 9.1 of the Federal Law “On Mortgages”</p>
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		<ul style="list-style-type: none"> - on the necessity to determine the effective interest rate on loan secured by a mortgage; - on publishing information on the effective interest rate on the first page of the loan agreement; - on prohibiting the lender to charge the fulfillment (provision) of certain obligations and services; - on publishing information on the conditions of provision, usage and repayment of a loan, providing the borrower with a loan repayment schedule under the loan agreement; - on providing the borrower with a loan repayment schedule under the loan agreement. <p>From July 24, 2016, the maximum penalty for non-fulfillment or improper fulfillment of obligations on interest repayment on consumer loan or its redemption.</p> <p>The requirements for collecting overdue debts of individuals (actions aimed at collecting overdue debts of individuals), which arose from monetary liabilities, became effective starting July 3, 2016.</p>	<p>Federal Law No. 217-FZ, dated June 23, 2016, “On Amending Article 9.1 of the Federal Law “On Mortgages”</p> <p>Federal Law No. 230-FZ, dated March 3, 2016 “On Protecting Rights and Legitimate Interests of Individuals When Collecting Overdue Debts and on Amending the Federal Law “On Microfinancing and Microfinance Organizations”</p>
24.3	Control over the use by credit institutions of funds allocated in support of the Russian financial	<p>To enhance control over the use by credit institutions of the funds allocated in support of the Russian financial system, Federal Law No. 317-FZ, dated December 30, 2008, “On Amending Articles 46 and 76 of Federal Law No. 86-FZ, Dated July 10, 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’”, was passed to institute the body of authorized representatives of the Bank of Russia.</p> <p>In pursuance of this Federal Law, the Bank of Russia issued Ordinance No. 2182-U, dated February 9, 2009, “On the Procedure</p>	Federal Law No. 317-FZ, dated December 30, 2008, “On Amending Articles 46 and 76 of the Federal Law on the Central Bank of the

	system	<p>for Appointing the Bank of Russia Authorized Representatives in Cases Envisaged by Clauses 1-6 of Part 1 of Article 76 of the Federal Law On the Central Bank of the Russian Federation (Bank of Russia)” and Conducting and Terminating their Activities”, which set the requirements for Bank of Russia employees who may be appointed as Bank of Russia authorized representatives and the procedures for appointing them and terminating their activities. This document also gave the Bank of Russia authorized representatives the following powers:</p> <ul style="list-style-type: none"> to participate on a non-voting basis in the meetings of credit institution executives and executives responsible for lending and asset and liability management; to receive from credit institutions information about their plans to conduct transactions (operations) stipulated by the law; to request information and documents from credit institutions on issues relating to lending, the granting of guarantees, asset and liability management (the management of claims and obligations) and compensation paid to its chief executive and management; to conduct preliminary analysis of information and documents received from credit institutions; to inform Bank of Russia management on the results of the preliminary analysis of information and documents received from credit institutions. <p>Pursuant to the Federal Law, this Ordinance was agreed with the Government of the Russian Federation (Russian Federation Government Ordinance No.121-P, dated February 4, 2009);</p> <p>Bank of Russia Ordinance No. 2181-U, dated February 9, 2009, “On the Procedure for Providing Information and Documents by Credit Institutions to Bank of Russia Authorized Representatives”, establishing the procedure for notifying a Bank of Russia authorized representative by a credit institution about plans to conduct a transaction (operation) stipulated by the law and providing information at the request of the Bank of Russia authorized representative on the amount of compensation paid by the credit institution to its chief executive and management and information and documents relating to the credit institution’s lending policy, the granting of guarantees and the management of assets and liabilities (claims and obligations).</p>	<p>Russian Federation (Bank of Russia)”;</p> <p>Federal Law No. 184-FZ, dated July2, 2013, “On Amending Articles 13 and 76 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia)”;</p> <p>Bank of Russia Ordinance No. 2182-U, dated February 9, 2009, “On the Procedure for Appointing the Bank of Russia Authorized Representatives in Cases Envisaged by Clauses 1-6 of Part 1 of Article 76 of the Federal Law On the Central Bank of the Russian Federation (Bank of Russia)”;</p> <p>Bank of Russia Ordinance No. 2181-U, dated</p>
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			February 9, 2009, "On the Procedure for Providing Information and Documents by Credit Institutions to Bank of Russia Authorized Representatives".
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