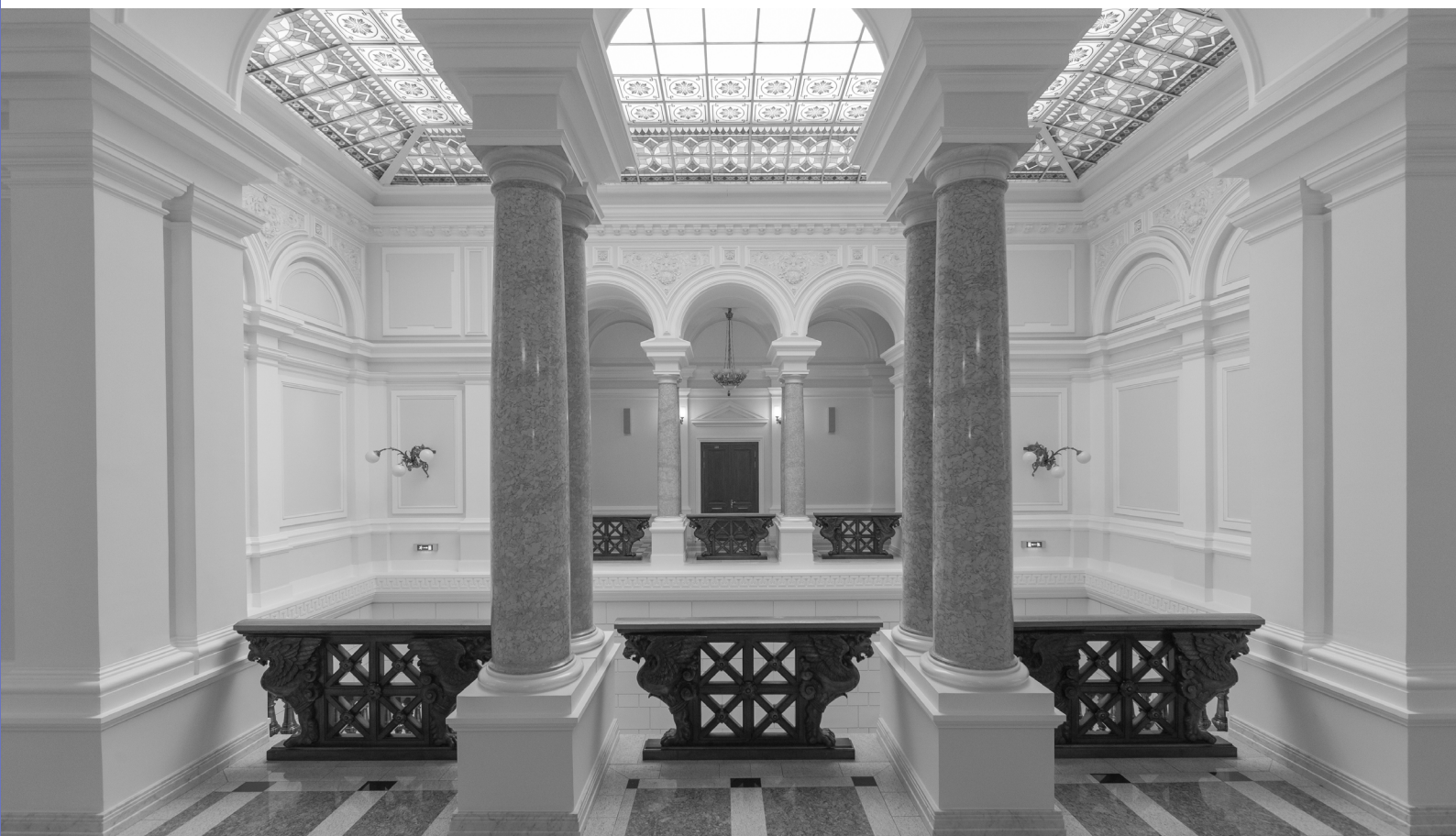




Bank of Russia

The Central Bank of the Russian Federation



№ 50

2016

Analysis
and Statistics

**PAYMENT AND
SETTLEMENT
SYSTEMS**

Moscow



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**The National
Payment System
in 2014**

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SETTLEMENT
SYSTEMS**

No. 50
2016

Compiled by the Bank of Russia National Payment System Department
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NEW DEVELOPMENTS IN THE REGULATION

No.	Regulation area	Purpose of regulatory changes	Changes made	Regulatory act
1	Payment systems regulation	Ensuring the uninterrupted provision of services to the participants of payment systems and their customers		
1.1			Introduction of the notion of a nationally important payment system, and establishment of the appropriate criteria for recognising payment systems to be nationally important	The Bank of Russia Regulation No. 422-P dated 11 June 2014 'On the Procedure for the Bank of Russia to Qualify a Payment System as a Nationally Important Payment System'
1.2.			Establishment of requirements for the formation of security deposits by operators of payment systems that are not nationally important	The Bank of Russia Regulation No. 423-P dated 12 June 2014 'On the Security Deposits of Operators of Payment Systems that are not Nationally Important'
1.3			The Bank of Russia criteria for applying measures of influence to operators of payment systems in the event of a unilateral suspension (termination) of services to payment system participants and their customers	The Bank of Russia Ordinance No. 3294-U dated 25 June 2014 'On the procedure of applying penalties to the operators of payment systems stipulated by Articles 82.4, 82.5 of the Federal Law No. 86-FZ dated 10 July 2002 'On the Central Bank of the Russian Federation (Bank of Russia)'
1.4			The requirements for information technologies used by operators of the payment infrastructure services for the purpose of recognizing a payment system to be nationally important	The Bank of Russia Ordinance No. 3342-U dated 25 July 2014 'On the requirements for information technologies used by operators of the payment infrastructure services for the purpose of recognizing a payment system to be nationally important'
1.5			The requirements obliging credit institutions – participants and operators of payment systems of international payment cards to organize the interaction with the operations center and payment clearing center for the national system of payment cards	The Bank of Russia Ordinance No. 3493-U dated 16 December 2014 'On organisation of interaction and receipt of transaction services and payment clearing services for money transfers using international payment cards'
2	Regulation of electronic money	Mitigation of risks associated with the implementation of operations with e-money		
2.1			There are restrictions on the relevant e-money transfers between individuals; restrictions are set as well with regard to operations of the e-money transfers in favor of non-resident companies	The Federal Law No. 110-FZ dated 5 May 2014 'On amendments to certain legislative acts of the Russian Federation' (amendments to the Federal Law No. 161-FZ dated 27 June 2011 'On the national payment system')
2.2			Foreign organisations issuing prepaid cards are prohibited to distribute them in the territory of the Russian Federation; there has been defined the procedure for the consideration by a credit institution of card-holders' statements regarding the transactions performed without their consent	The Bank of Russia Ordinance No. 3532-U dated 14 January 2015 'On Amending the Bank of Russia Regulation No. 266-P dated 24 December 2004 'On the issuance of payment cards and transactions using them.'
3	Regulation of funds transfer rules	Simplification of funds transfer rules		
3.1			Russia's Ministry of Finance was authorized to establish in coordination with the Bank of Russia the list of transfer details necessary to take into account the receipt of payments to the budget system of the Russian Federation	The Federal Law No. 455-FZ dated 29 December 2014 'On Amendments to Article 8 of the Federal Law 'On the National Payment System'
3.2			Establishment of the procedure for the formation by the funds payee of a unique identifier of the payment and for its control by the payer's bank in the payment order; clarification of the list of payment orders unexecuted on time and placed in a queue	The Bank of Russia Ordinance No. 3248-U dated 29 April 2014 'On Amending the Bank of Russia Ordinance No. 383-P dated 19 June 2012 'On Funds Transfer Rules'

CHAPTER I. PAYMENT SYSTEMS

I.1. General

I.1.1. Payment systems, operators of which were registered by the Bank of Russia

During 2014 the Bank of Russia continued the work begun from the date of entry into force of Article 15 of the Federal Law No. 161-FZ dated 27 June 2011 'On the National Payment System' (hereinafter – the Federal Law No. 161-FZ) on the registration of organisations as payment system operators.

According to the Federal Law No. 161-FZ, the payment system should have a name that includes the words 'payment system'. No organisation in the Russian Federation, with the exception of organisations registered by the Bank of Russia in the register of the payment system operators, may use in its name (company name), the words 'payment system' or otherwise indicate to their activities of a payment system operator.

In 2014, the Bank of Russia decided to register eight organisations as payment system operators, of which four were credit institutions.

At the same time in 2014 the Bank of Russia in accordance with Article 15 of the Federal Law No. 161-FZ worked to exclude information about organisations from the register of payment system operators.

In 2014, the Bank of Russia decided to exclude from the register of payment system operators information about five credit institutions, including:

- four organisations – on the basis of applications of payment system operators;
- one organisation – after the withdrawal by the Bank of Russia of the license for banking operations from the credit institution, which is the operator of the payment system.

As of end-2014, 32 companies were registered as payment system operators, of which 18 were credit institutions, and the total number of payment systems (excluding the Bank of Russia

payment system (BRPS) and the national system of payment cards)¹ was 32, of which:

- one systemically important and nationally important payment system – ‘the NSD Payment System’;
- five socially important payment systems – the Visa Payment System, MasterCard Payment System, Payment System ‘Golden Crown’, Payment System ‘International Money Transfers LEADER’ and the Sberbank payment system;
- eight nationally important payment systems – the VTB payment system, Universal Electronic Card Payment System (UEC PS), MultiService Payment System, Customs Card Payment System, BLIZKO payment system, Payment System NCC (NATIONAL CREDIT CARDS), UNION CARD payment system, HandyBank payment system.

Box 1. On the outcome of the consideration by the Bank of Russia of payment system operators’ requests for the recognition of their payment systems as nationally important

The amendments to the Federal Law No. 161-FZ defined another category of important payment systems – ‘a nationally important payment system’. The aim of its introduction was to protect the interests of domestic payment systems belonging to citizens of the Russian Federation and (or) public authorities and (or) the Bank of Russia (hereinafter, the controlling entities) and using domestic information technologies for the implementation of funds transfers.

The Bank of Russia issued Regulation No. 422-P dated 11 June 2014 ‘On the Procedure for the Bank of Russia to Qualify a Payment System as a Nationally Important Payment System’ and the Bank of Russia Ordinance No. 3294-U dated 25 June 2014 ‘On the Procedure for Imposing Penalties to Payment System Operators Stipulated by Articles 82.4 and 82.5 of the Federal Law No. 86-FZ dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’, setting, in particular, the characteristics applying to controlling persons and domestic information technologies, under which a payment system can be qualified as a nationally important payment system.

Operators of payment systems that are not recognised as nationally important shall place a security deposit, which is a source of paying penalties in case of the unilateral suspension of payment services and payment infrastructure services to payment system participants and their customers by payment system operators and by operators of payment infrastructure services involved by them.

As of end-2014 in the territory of the Russian Federation, 11 payment systems were nationally important, including the Bank of Russia payment system and the national system of payment cards.

Five areas of funds transfer services provided by the registered payment systems can be singled out:

- funds transfers without opening a bank account;
- funds transfers using payment cards;
- funds transfers on transactions made on on-floor trades;
- funds transfers of individuals using their bank accounts;

¹ The Register of payment system operators is located in the section ‘National Payment System’ on the Bank of Russia website (<http://www.cbr.ru/PSystem/?PrId=rops>).

• funds transfers on instructions of participants for interbank funds transfers.

Within the framework of payment systems, the operators of which were registered by the Bank of Russia in 2014, there were mainly executed funds transfers without opening a bank account, funds transfers of individuals on their bank accounts and funds transfers using payment cards.

Table I.1. Priority activities of payment systems operational as of end-2014

No.	Name of the payment system	Funds transfers				
		using payment cards	without opening a bank account	by individuals on their bank accounts	on transactions made on on-floor trades	on instructions of participants for interbank funds transfers
1	UNISTREAM international funds transfer system		√			
2	Payment System NCC (National Credit Cards)	√				
3	Western Union payment system		√	√		
4	UNION CARD Payment System	√				
5	'ANELIK' payment system		√			
6	United Settlement System payment system	√				
7	Payment system 'Regional payment system'		√			
8	HandyBank payment system	√				
9	BLIZKO payment system		√			
10	Visa Payment System	√				
11	Payment System 'Golden Crown'	√	√			
12	National Settlement Depository Payment System				√	
13	Customs Card Payment System	√				
14	Payment system 'International Money Transfers LEADER'		√			
15	MasterCard Payment System	√				
16	Universal Electronic Card Payment System	√				
17	Payment system 'Insurance Payment System'					√
18	InterExpress payment system	√	√			
19	MultiService Payment System	√	√			
20	VTB payment system					√
21	Sberbank payment system	√	√	√		√
22	AMB BANK payment system					√
23	American Express payment system	√				
24	UnionPay payment system	√				
25	REXPAY payment system	√				
26	Payment system Delta Key		√			
27	Payment system 'BEST'		√			
28	CONTACT payment system		√	√		
29	Payment System 'F5'		√	√		
30	Payment System Di-Pay		√	√		
31	Payment system MultiCarta	√				
32	JCB Payment System	√				

Payment infrastructure service operators

In 2014, the number of the payment infrastructure entities as compared with the previous year increased from 49 to 58 companies, which was associated with the registration of new payment systems. As of end-2014, payment infrastructure operators of 32 payment systems, whose operators were registered as payment system operators, included 32 credit institutions (10 of them got into the register of payment system operators in 2014) and 26 non-credit institutions (7 of them were included in the register of payment system operators in 2014), of which 5 were foreign organisations (one of which was included in the register of payment system operators in 2014). The functions of the payment system settlement centers were performed by 31 companies (9 of them were included in the register of payment system operators in 2014), the functions of the payment clearing centers were performed by 35 companies (8 of them were included in the register of payment system operators in 2014), the functions of the payment systems operation centers were performed by 34 companies (8 of them were included in the register of payment system operators in 2014).

Table I.2. Payment systems' infrastructure organisations as of end-2014

No.	Name of organisation	Type of organisation	Russian/foreign	Payment system operator	Payment infrastructure entities		
					settlement center	payment clearing center	operation center
1	2	3	4	5	6	7	8
Organisations – payment system infrastructure entities included in the register of payment system operators							
1	RUSSLAVBANK (CJSC)	CI	R		CONTACT payment system		
2	OJSC VTB Bank	CI	R		Payment system MultiCarta	VTB Payment System	
3	NCO 'United Settlement System' (OJSC)	CI	R		Payment system 'BEST'		
4	MasterCard Europe	NCI	F				MasterCard Payment System
5	NSCO 'FSC' JSC	CI	R		Payment system Delta Key		
6	JSC 'Payment System Delta Key'	NCI	R	Payment system Delta Key		Payment system Delta Key	
7	'Khanty-Mansiysk bank Otkritie' (PJSC)	CI	R		CONTACT payment system		
8	'Rapida' Ltd	CI	R		CONTACT payment system		
9	LLC 'MultiService Payment System'	NCI	R	MultiService Payment System		MultiService Payment System	
10	OJSC 'BANK URALSIB'	CI	R		Payment System NCC (National Credit Cards); UNION CARD Payment System		
11	UNIONPAY LLC	NCI	R			UnionPay payment system	
12	LLC 'DIPAY'	NCI	R	Payment System Di-Pay		Payment System Di-Pay	

No.	Name of organisation	Type of organisation	Russian/foreign	Payment system operator	Payment infrastructure entities		
					settlement center	payment clearing center	operation center
1	2	3	4	5	6	7	8
13	MultiCarta LLC	NCI	R			United Settlement System payment system; Payment system MultiCarta	
14	VTB 24 (PJSC)	CI	R	Payment system MultiCarta			
15	JCB International Eurasia LLC	NCI	R	JCB Payment System		JCB Payment System	
16	LLC 'BEST'	NCI	R	Payment system 'BEST'		Payment system 'BEST'	
17	LLC 'BPC Banking Technologies'	NCI	R			United Settlement System payment system	
18	Bank Metropol Ltd.	CI	R		Payment system Delta Key		
19	PJSC Commercial bank 'GAZBANK'	CI	R		Payment System NCC (National Credit Cards)		
20	JCB International Co.Ltd.	NCI	F				JCB Payment System
21	JSC 'Nefteprombank'	CI	R		MultiService Payment System		
22	ALFA-BANK OJSC	CI	R		JCB Payment System		
23	'United National Bank' (Ltd)	CI	R	Payment System 'F5'			
24	Deal-bank Ltd.	CI	R		Payment System Di-Pay		
Organisations – payment system infrastructure entities excluded from the register of payment system operators							
1	CB EVROFINANCE MOSNARBANK OJSC	CI	R		Payment System NCC (National Credit Cards); UNION CARD Payment System		
2	COINSTAR EURASIA Limited (Joint-Stock Limited Liability Company)	NCI	F				BLIZKO payment system
3	Financial Service Bureau LLC	NCI	F				BLIZKO payment system
4	Moscow Commercial Bank MOSCOMPRIVATBANK CJSC	CI	R	PrivatMoney payment system			
5	NCO Migom CJSC	CI	R	Migom international funds transfer system; SMARTY payment system			
6	Commercial Bank EUROTRUST (CJSC)	CI	R		Migom international funds transfer system		
7	SMARTY LLC	NCI	F				SMARTY payment system
8	PRC CJSC	CI	R	PRC payment system			

Note. CI – credit institution; NCI – non-credit institution; R – Russian organisation; F – foreign organisation.

Funds transfers in payment systems registered by the Bank of Russia²

As of end-2014 the payment systems whose operators were included by the Bank of Russia into the register of payment system operators, had from 3 to 700 participants.

Table I.3. Number of payment system participants as of end-2014

No.	Registration No. of the payment system operator	Name of the payment system	Number of participants			Importance of the payment system
			total	direct participants	associated participants	
1	2	3	4	5	6	7
1	0014	National Settlement Depository Payment System	700	700	0	socially, nationally
2	0033	CONTACT payment system	550	550	0	
3	0018	MasterCard Payment System	502	79	423	socially
4	0012	Payment System 'Golden Crown'	501	501	0	socially
5	0024	VTB payment system	491	491	0	nationally
6	0011	Visa Payment System	429	78	351	socially
7	0004	Western Union payment system	363	340	23	
8	0006	'ANELIK' payment system	296	158	138	
9	0002	UNISTREAM international funds transfer system	205	205	0	
10	0007	United Settlement System payment system	200	152	48	
11	0025	Sberbank payment system	185	185	0	socially
12	0017	Payment system 'International Money Transfers LEADER'	165	165	0	socially
13	0009	HandyBank payment system	134	134	0	nationally
14	0020	Payment system 'Insurance Payment System'	128	128	0	
15	0016	Customs Card Payment System	104	104	0	nationally
16	0010	BLIZKO payment system	85	84	1	nationally
17	0022	MultiService Payment System	29	29	0	nationally
18	0028	UnionPay payment system	28	15	13	
19	0021	InterExpress payment system	24	24	0	
20	0005	UNION CARD Payment System	24	24	0	nationally
21	0019	Universal Electronic Card Payment System	21	13	8	nationally
22	0003	Payment System NCC (National Credit Cards)	16	16	0	nationally
23	0026	AMB BANK payment system	8	8	0	
24	0032	Payment system 'BEST'	7	7	0	
25	0029	REXPAY payment system	4	4	0	
26	0031	Payment system Delta Key	4	4	0	
27	0027	American Express payment system	4	4	0	
28	0008	Payment system 'Regional Payment System'	3	3	0	
29	0034	Payment System 'F5'	0	0	0	
30	0035	Payment System Di-Pay	0	0	0	

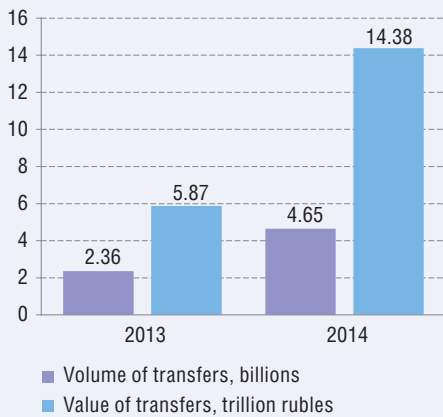
² Based on the statistical reporting form 0403201 'Information on Payment Systems of a Payment Systems Operator', established by the Bank of Russia Ordinance No. 2824-U dated 31 May 2012 'On Reporting by Payment System Operators on Payment Systems'.

No.	Registration No. of the payment system operator	Name of the payment system	Number of participants			Importance of the payment system
			total	direct participants	associated participants	
1	2	3	4	5	6	7
31	0036	Payment system MultiCarta	0	0	0	
32	0037	JCB Payment System	0	0	0	

Table I.4. List of payment systems, the number of participants of which changed in 2014

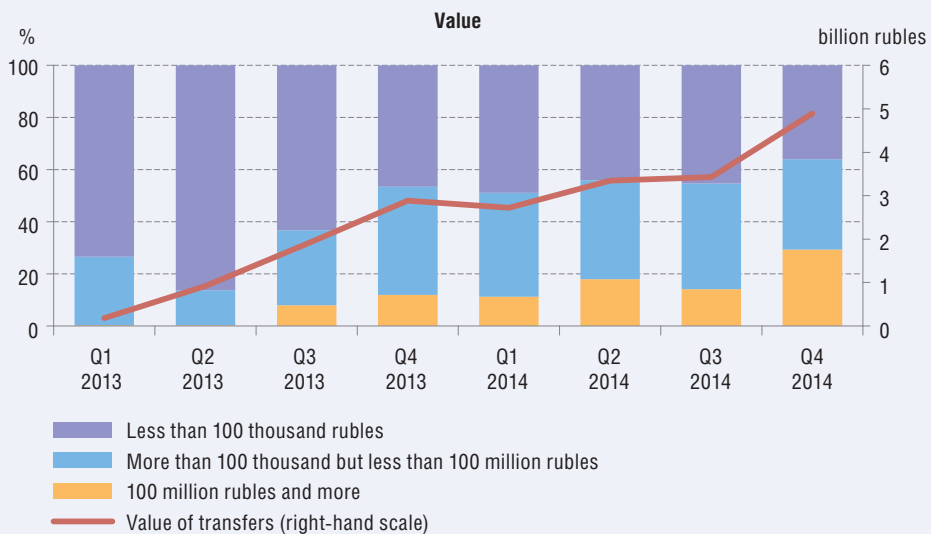
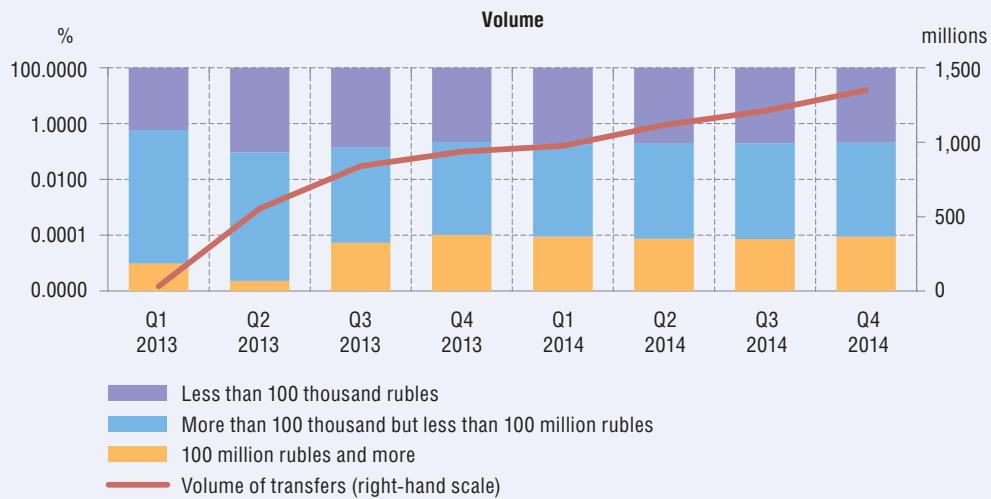
No.	Registration No. of the payment system operator	Name of the payment system	Number of participants, total			Importance of the payment system
			as of end-2013	as of end-2014	annual change	
1	2	3	4	5	6	7
1	0014	National Settlement Depository Payment System	690	700	+10	socially, nationally
2	0033	CONTACT payment system	645	550	-95	
3	0018	MasterCard Payment System	514	502	-12	socially
4	0012	Payment System 'Golden Crown'	468	501	+33	socially
5	0024	VTB payment system	551	491	-60	nationally
6	0011	Visa Payment System	405	429	+24	socially
7	0004	Western Union payment system	377	363	-14	
8	0006	'ANELIK' payment system	306	296	-20	
9	0002	UNISTREAM international funds transfer system	156	205	+49	
10	0007	United Settlement System payment system	156	200	+44	
11	0025	Sberbank payment system	162	185	+23	socially
12	0017	Payment system 'International Money Transfers LEADER'	217	165	-52	socially
13	0009	HandyBank payment system	141	134	-7	nationally
14	0020	Payment system 'Insurance Payment System'	127	128	+1	
15	0016	Customs Card Payment System	95	104	+9	nationally
16	0010	BLIZKO payment system	65	85	+20	nationally
17	0022	MultiService Payment System	23	29	+6	nationally
18	0028	UnionPay payment system	0	28	+28	
19	0021	InterExpress payment system	35	24	-11	
20	0005	UNION CARD Payment System	26	24	-2	nationally
21	0019	Universal Electronic Card Payment System	7	21	+14	nationally
22	0003	Payment System NCC (National Credit Cards)	21	16	-5	nationally
23	0032	Payment system 'BEST'	-	7	+7	
24	0029	REXPAY payment system	-	4	+4	
25	0027	American Express payment system	3	4	+1	
26	0008	Payment system 'Regional Payment System'	4	3	-1	

Chart I.1. Volume and value of funds transfers within payment systems in 2013–2014



In 2014 in comparison with 2013 the volume of orders for the funds transfers within the framework of the payment systems registered by the Bank of Russia increased twofold (from 2.36 to 4.65 billion orders). The value of funds transfers increased 2.5 times (from 5.87 to 14.38 trillion rubles).

Chart I.2. Structure of funds transfers by amount (quarterly)



I.2. Systemically important payment systems

I.2.1. The Bank of Russia payment system

The Bank of Russia payment system is a complex organisational and technological system that performs a number of functions aimed at achieving the main objectives of the Bank of Russia established by the legislation of the Russian Federation, and provides a wide range of services to credit institutions and public authorities.

The BRPS rules have been established in accordance with the requirements of the Federal Law No. 161-FZ and the Bank of Russia regulations, including the Bank of Russia Regulation No. 384-P dated 29 June 2012 'On the Bank of Russia Payment System'. This document defines, inter alia, the criteria for participation, suspension and termination of participation in the BRPS, the applied forms of non-cash settlements and procedures for the transfer of funds within the BRPS, the order of payment clearing and settlement, as well as the temporary regulation of BRPS functioning.

Funds transfer within the BRPS is made through the System of Banking Electronic Speedy Payments (BESP) in the real time mode (urgent transfer service) and through the systems for intraregional electronic payments (VER) and interregional electronic payments (MER), as well as using postal and telegraph technology (non-urgent transfer service).

Electronic document exchange has been introduced at all the BRPS sites accepting for execution and executing orders. The Bank of Russia customers participating in the electronic document exchange, including the recipients and banks of recipients, have a possibility of submitting to the Bank of Russia any electronic orders, including collection orders, payment claims, payment orders to be effected in all the settlement systems of the Bank of Russia.

The application of electronic collection orders may be used by financial market infrastructures to complete settlements with funds held in accounts with the Bank of Russia, using the 'delivery versus payment' and 'payment versus payment' mechanisms. The Bank of Russia may also use them within the framework of operations to implement the state monetary policy.

Within the improvement of the existing BRPS in the regional components, working in the same time zone as the Moscow regional component, in 2014 the operating time of the BRPS was extended on account of the earlier (by two hours) start of

its work. In the BESE system in all the regions of the Russian Federation the time of simultaneous accepting for execution of customer orders increased from two to six hours. Unified rules were implemented for electronic order execution within the service of the non-urgent funds transfer in all the regional components of the BRPS.

Within the framework of the approved Action Plan for the creation of the Operational Payment Clearing Center (OPCC) and of the operator of the national system of payment cards (NSPC) in 2014 the Bank of Russia implemented the necessary work and measures to ensure the provision by the Bank of Russia of settlement services and of the intra-day settlement within the framework of the BRPS with regard to funds transfers executed in the territory of the Russian Federation, and involving the use of payment cards of international payment systems.

I.2.1.1. Services provided by the Bank of Russia payment system

Pursuant to clauses 9 and 11 of Part 1 of Article 20 of the Federal Law No. 161-FZ, the services paid within the BRPS include funds transfer services and services of the BRPS payment infrastructure.

The fee for the BRPS services shall be determined in accordance with the Bank of Russia tariffs established primarily on the basis of the tasks such as ensuring the stability and continuity of the BRPS operation, as well as the creation of equal conditions for the Bank of Russia customers in the provision of services.

The BRPS sets fixed tariffs for the entire territory of the Russian Federation. The fee for funds transfers in the BRPS does not depend on the payment route and the amount and is charged to the payer-banks and not to the recipient banks. Tariffs for the BRPS services are differentiated depending on the types of payments, method and time of a payment document transfer which creates the conditions for optimal use of the BRPS functionality, including the optimum distribution of payment flows. In addition, as an instrument of influence on the processes forming in the BRPS, the tariffs are involved in the process of the low-demand areas withdrawal from use and of the creation of incentives for a wider use of the new services coming to replace them.

In 2014, the BRPS services became available in the Republic of Crimea and in the federal city of Sevastopol due to the deployment within a short time of the BRPS regional component. Thus, in the Crimea Federal District, there has been created a payment infrastructure and provided the conditions for settlement and cash services to customers of the Bank of Russia in accordance with the Russian legislation.

I.2.1.2. Quantitative and qualitative characteristics of the Bank of Russia payment system operation

The BRPS being systemically important in the national payment system remained an important component of ensuring the financial stability of the country in 2014. 1.4 billion transfers amounting to 1,205.2 trillion rubles were executed through the BRPS in 2014, which is a small change in the volume and in the value (up by 2.1% and down by 1.6% respectively). The ratio of the value of funds transfers made through the BRPS to the GDP value was 17.0 (18.3 in 2013). The national payment system processed 5.5 million transfers totaling 4.9 trillion rubles per day on average (in 2013, 5.4 million transfers totaling 5.0 trillion rubles).

The number of customers served by the Bank of Russia fell during the year by almost a third, and as of end-2014 equaled 4,422. At the same time in connection with the Bank of Russia decisions related to the implementation of measures for financial rehabilitation and liquidation of credit institutions as well as with the credit institutions efforts to optimize their branch network, the number of customers – credit institutions decreased by 12.7% to 2,348 units.

In the structure of funds transfers executed through the BRPS system, the share of transfers made by the main category of the BRPS participants – credit institutions amounted to 85.9% by volume and 80.2% by value. In 2014 credit institutions executed 1.2 billion transfers worth 996.3 trillion rubles, which was by 2.6% more by volume and 1.1% more by value than in 2013. It shall be noted, that more than 50% of the total volume and almost 60% of the total value of transfers were executed by 10 credit institutions.

On average the BRPS processed daily 4.8 million orders of credit institutions worth 3.9 trillion rubles. The maximum volume of transfers per day was 7.6 million which amounted to 7.5 trillion rubles, the minimum – 3.3 million amounting to 2.6 trillion rubles.

The share of the Bank of Russia customers other than credit institutions in the total volume and value of transfers through the BRPS was 14.1 and 9.7%, respectively. In 2014, they executed 193.5 million transfers totaling 107.4 trillion rubles (compared to the previous year, a decline of 0.2% in volume and an increase of 8.5% in value).

In 2014, the Federal Treasury bodies carried out through the BRPS 143.3 million of cash transfers worth 106.9 trillion rubles (in 2013 – 195.5 million transfers worth 74.6 trillion rubles). The overwhelming proportion (90.4%) of the total volume of transfers of the Federal Treasury, as in the previous years, was executed with the use of the electronic technology. The average size of one transfer was 746 thousand rubles.

Almost all the funds transfers in the BRPS were effected on the basis of orders in the form of a credit transfer (97.6%

Chart I.3. Funds transfers made through the BRPS in 2010–2014

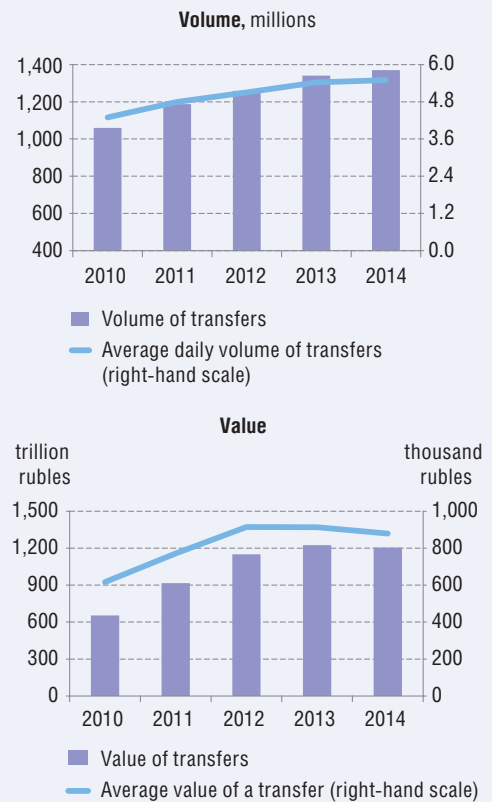
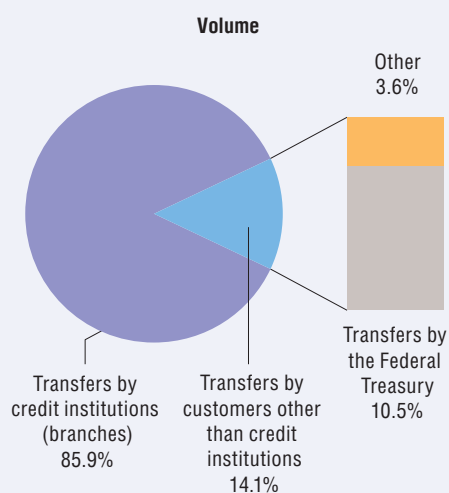
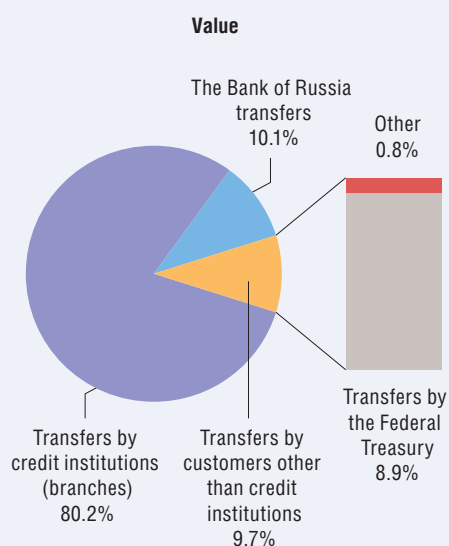


Chart I.4. Volume and value of customer transfers and transfers on the Bank of Russia own operations effected via the BRPS in 2014



The share of transfers made by the Bank of Russia division did not exceed hundredths of a percentage point.



in volume and 99.3% in value). Direct debit transfers accounted for only 2.4 and 0.7% respectively, however over the year their volume increased by one third, and the value – 4.6 times, which, in turn, led to an increase of their share by 0.5 percentage points both in volume and value. It shall be noted, that in the structure of direct debit transfers collection orders predominated (95.4% by volume and 99.5% by value). Despite the fact that the average size of a direct debit transfer (268.5 thousand rubles) was 3.3 times less than that the analogous indicator for credit transfers, it increased, as compared to the previous year, 3.5 times, while the average size of a credit transfer, on the contrary, decreased by 3.7%.

As in previous years, the largest volume and value of transfers carried out through the BRPS, were executed in the Central Federal District (40.8 and 85.2%, respectively), of which the larger part (79.4% by volume and 98.2% by value) were the transfers carried out in Moscow and the Moscow Region (hereinafter, the Moscow Region). The Volga, Siberian and Northwestern Federal Districts accounted for 17.4; 11.0; 10.4% of the total volume and 4.4; 2.0; 3.3% of the total value.

Intraregional electronic payment systems

The structure of money transfers made through the BRPS was still dominated by transfers made through intraregional electronic payment systems (VER) (919.7 million transfers totaling 607.7 trillion rubles). Their share in the total volume and value of transfers amounted to 67.1 and 50.4%, respectively (in 2013 – 69.7 and 49.3%). Reducing share of payments made through the VER systems in the total volume of transfers executed through the BRPS, was characteristic for all federal districts (the largest decrease was recorded in the Volga (by 4.4 percentage points) and Far Eastern (by 4.2 percentage points) Federal Districts). In terms of value the share of payments made through the VER systems increased only in the Central Federal District (by 2.3 percentage points to 52.8%).

As many as 3.7 million transfers totaling 2.5 trillion rubles were carried out through the VER systems per day, which is much more than through the MER and BESP systems (2.1 times and 314.3 times in volume and 5.0 and 1.3 times in value respectively). The largest volume and value of transfers per day were processed in the Central Federal District (1.6 million transfers totaling 2.2 trillion rubles), the smallest – in the Crimea Federal District (3.9 thousand transfers totaling 502.1 million rubles). In other federal districts, this indicator ranged from 57.6 transfers totaling 5.6 billion rubles in the North Caucasus Federal District to 647.6 transfers totaling 73.2 billion rubles in the Volga Federal District.

Interregional electronic payment system

On average, in the MER system there were executed 448.0 million funds transfers worth 121.9 trillion rubles. The continuing over the years relatively high growth rates of such transfers as compared with other payment systems (relative to 2013, an increase of 10.8% by volume and of 4.8% by value) in 2014 led to an increase in the share of payments made through the MER system by 2.6 percentage points by volume (to 32.7%) and by 0.6 percentage points by value (to 10.1%). The largest increase in this volume indicator is registered in the Far Eastern and Volga Federal Districts (by 4.3 percentage points), the smallest – in the Southern Federal District (by 1.3 percentage points). At the same time the increasing share of transfers made through the MER system was observed in only three of the nine federal districts (the Far Eastern, Central and Northwestern Federal Districts – by 3.9, 0.5 and 0.3 percentage points respectively), and the largest decrease in the figure was registered in the Southern Federal District (by 5.1 percentage points).

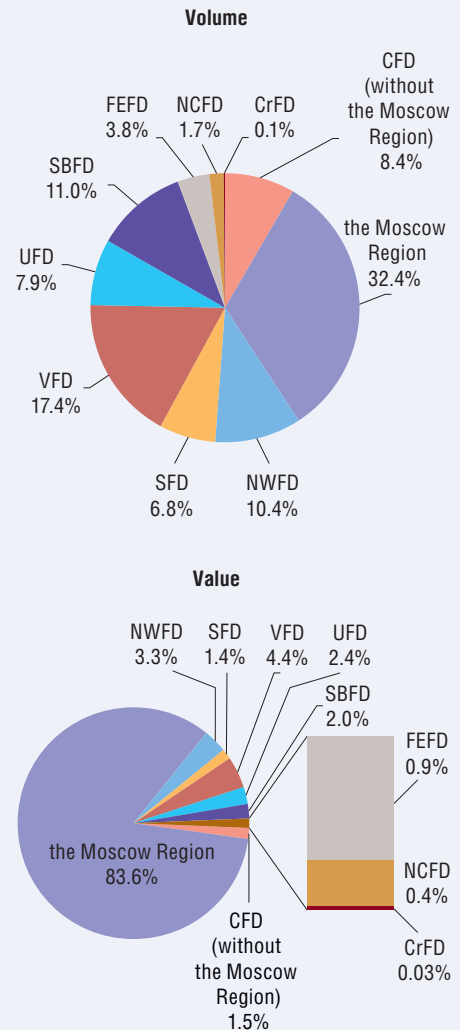
The average size of one transfer through the MER system in 2014 amounted to 272.1 thousand rubles, which is more than 2 times less than the average amount of one transfer through the VER system and almost 600 times less than through the BESP system. On average, 1.8 million transfers worth 493.6 billion rubles were effected through the MER system daily, with the largest volume and value of transfers per day registered in the Central and Volga Federal Districts (0.7 million transfers worth 237.6 billion rubles and 0.3 million transfers worth 72.7 billion rubles respectively). The lowest values of these indicators were observed in the Crimea and North Caucasus Federal Districts, which daily handled 3.9 thousand transfers worth 812.7 million rubles and 37.4 thousand transfers worth 7.3 billion rubles, respectively.

The values of the BRPS average monthly availability ratios³ ranged in 2014 from 99.92 to 100% (in 2013 – from 99.80 to 99.99%).

The Banking Electronic Speedy Payment system (the BESP system)

One of the main directions of the Bank of Russia efforts to improve its own payment system was to ensure the further development of the BESP system, providing first of all for the execution of large-value and urgent payments for the implementation of monetary policy measures, for settlements in the interbank market, settlements with financial market infrastructures, payments of the Federal Treasury and its regional branches.

Chart I.5. Structure of funds transfers carried out through the BRPS in 2014, by federal district



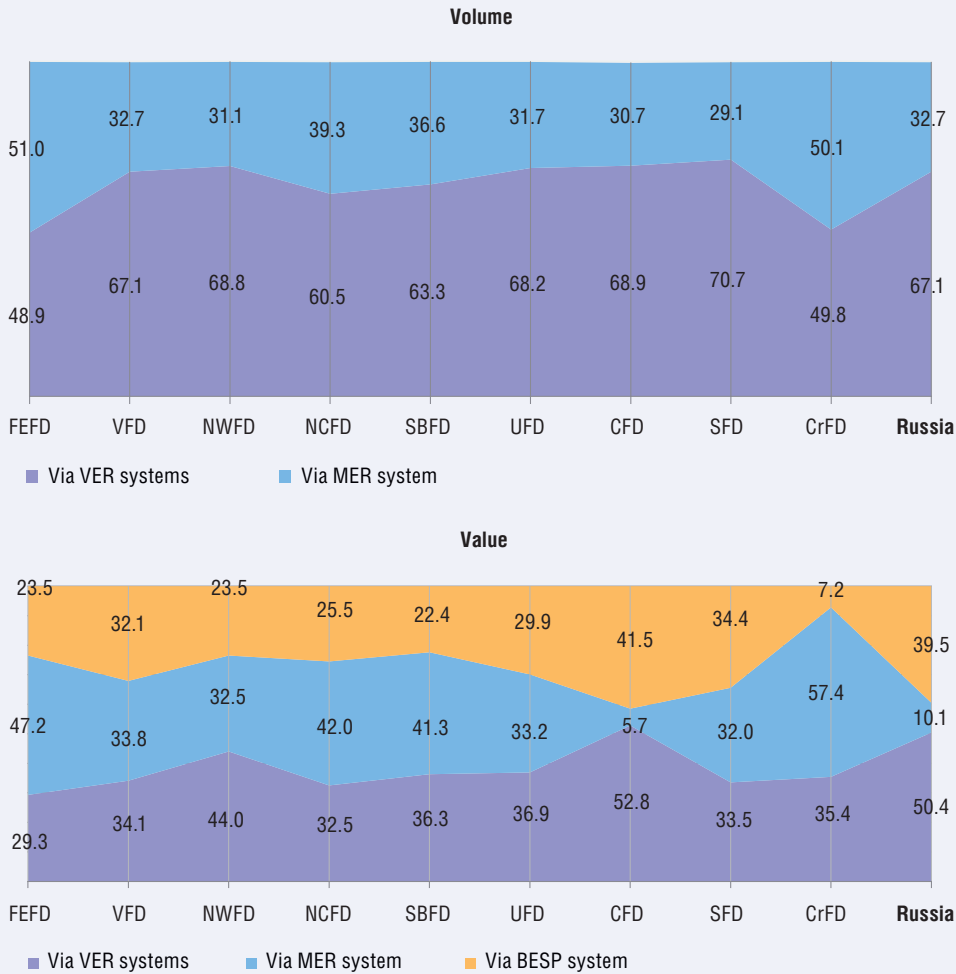
³ The readiness to receive funds transfer orders from the Bank of Russia customers to execute intraregional and interregional electronic settlements.

Chart I.6. Growth rates of funds transfers through BRPS, by settlement system (2014 on 2013), %

The changes in the institutional structure of the banking system of the Russian Federation have influenced the composition of the BESP system participants. Compared to 2013 their number decreased by 281, of which the number of direct settlement participants (DSP) – by 56, associated settlement participants (ASP) – by 227. The number of special settlement participants (SSP) over the year increased by two. The reduction in the number of DSPs and ASPs was mainly due to the reduction in the number of operating credit institutions, as well as the ongoing process of their branch network optimization and the optimization of the Bank of Russia regional network.

As of end-2014 the BESP system comprised 2,495 participants, of which:

Chart I.7. Structure of funds transfers through the BRPS in 2014, by settlement system, %



The share of settlements using paper-based letters of advice was less than 0.01%.

- SSP – 86 (3.4% of the total number of the BESP participants);
- DSP – 356 (14.3% of the total number of the BESP participants);
- ASP – 2,053 (82.3% of the total number of the BESP participants).

In 2014, the BESP system handled 2.9 million transfers worth 475.6 trillion rubles. On average 11.8 thousand transfers worth 1.9 trillion rubles were executed daily. The maximum volume of transfers per day in 2014 was 18.2 thousand to an amount of 5.4 trillion rubles, the minimum – 8.4 thousand worth 1.3 trillion rubles.

More than a half (51%) of the total value of transfers made in 2014 through the BESP system fell on systemically important credit institutions. The share of such transfers in the total volume of transfers through the BESP system amounted to 28.1%.

Chart I.8. Structure of the BESP system participants

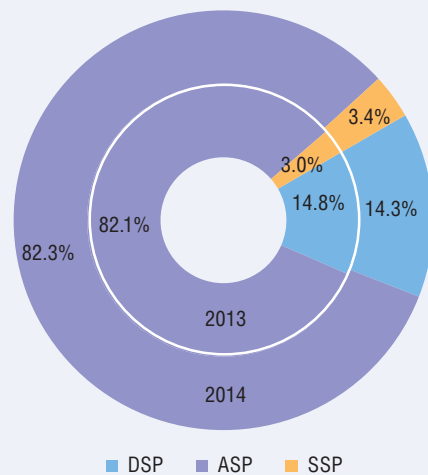
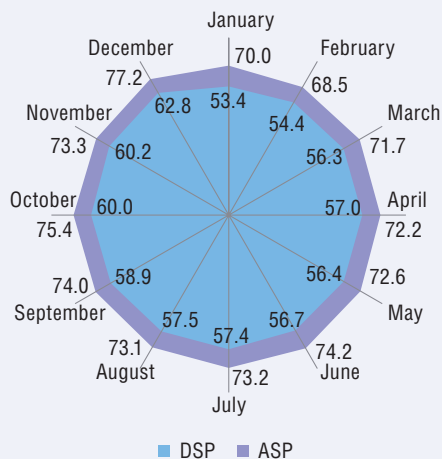


Chart I.9. Share of active participants in the total number of the BESP system participants in 2014, by type of participant, %



In 2014, the share of transfers effected through the BESP system was 0.2% of the total volume and 39.5% of the total value of funds transfers made through the BRPS.

The largest volume of transfers per day was processed by the BESP system in the Central Federal District (7.6 thousand transfers totaling 1.7 trillion rubles), the smallest – in the Crimea Federal District (7 transfers totaling 101.8 million rubles). In other federal districts, this indicator ranged from 180 transfers totaling 4.4 billion rubles (in the North Caucasus Federal District) and 137.9 transfers totaling 10.8 billion rubles (in the Far Eastern Federal District) to 1.5 thousand transfers totaling 69.1 billion rubles (in the Volga Federal District).

An important indicator characterizing the development of the BESP system is the share of active⁴ participants in the total number of the BESP system participants. In 2014, the lowest value of this indicator for direct settlement participants was registered in February (68.5%), for associated settlement participants – in January (53.4%). Its largest value was recorded in December 2014 (77.2% for DSPs and 62.8% for ASPs).

The values of service accessibility ratios of the BESP system (the ability of the Bank of Russia regional branches to provide services stipulated by the Bank of Russia regulations to BESP system participants on any business day at any time set by the rules of functioning of the BESP system) in 2014 varied from 99.69 to 100%.

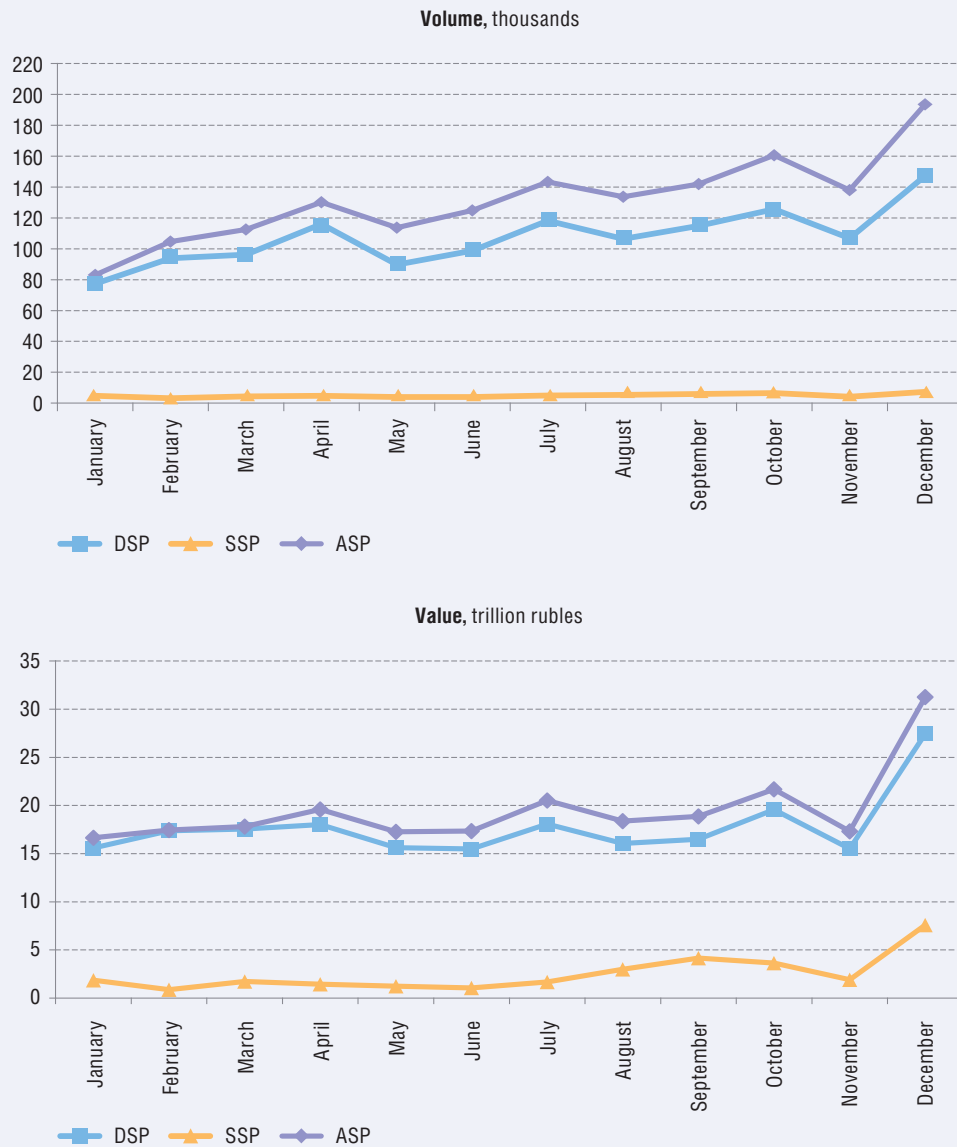
I.2.1.3. Interaction with the Federal Treasury

The Federal Treasury and the Bank of Russia for the purpose of implementing the Concept of Reforming the System of Budgetary Payments for the period until 2017⁵ (hereinafter, the Concept) in April 2014 approved the Plan of joint actions of the Federal Treasury and the Central Bank of the Russian Federation on the implementation of specific areas of the Concept. In accordance with this Plan the Bank of Russia participated in the review of the Ministry of Finance and the Federal Treasury proposals on the draft revision of the Budget Code of the Russian Federation, suggesting provisions regulating the single treasury account.

In accordance with the Concept, by 2017 it is necessary to make the transition to service through the single treasury account, which is a set of bank accounts opened with the Bank of Russia for the implementation and recording of transactions, in the currency of the Russian Federation, with the budgetary system funds, as well as operations with funds of other organizations in the cases stipulated by the Russian legislation.

⁴ Active participants are understood as participants who made at least one transfer through the BESP system during a month.

⁵ Approved by Russian Ministry of Finance Order No. 227 dated 29 August 2013.

Chart I.10. Funds transfers effected through the BESS system in 2014, by type of participants

During 2014 according to the results of monitoring, the total number of customers of the Bank of Russia branches other than credit institutions decreased by 1.7 thousand or by 45.4%, and as of end-2014 amounted to 2.1 thousand. The number of Federal Treasury bodies decreased by 0.1 thousand, or by 38.9% (to 0.2 thousand). The total number of customer accounts with the Bank of Russia, other than accounts of credit institutions, decreased by 3.0 thousand or by 5.3% to 53.5 thousand, whereas the number of accounts of Federal Treasury bodies grew by 0.1 thousand or by 0.3% to 49 thousand. The increase in the number of the latter was a result of the completion of the state extra-budgetary funds transition to service through personal accounts opened by them with the Federal Treasury bodies.

Chart I.11. Number of the Bank of Russia customers, other than credit institutions, and accounts opened to them



One of the areas of the budget payment system's development is the minimization of the cash circulation in the public sector.

In accordance with the Budget Code of the Russian Federation, the issuing and crediting of cash funds to organizations, whose nominal accounts are opened with the Federal Treasury bodies, the financial authorities of the Russian Federation constituent territories (municipalities), starting with 2015 should be carried out only by the Federal Treasury bodies. In this connection, many regions held tenders for selecting credit institutions to service accounts for the issuing and crediting cash funds and for the settlement of individual transactions of the Federal Treasury regional branches.

There continued the improvement of the methodology of servicing the accounts to record the funds of budgets of the Russian Federation budgetary system.

April saw the completion of transition to the cash servicing of government extra-budgetary funds by Federal Treasury bodies.

Regulation of the electronic document exchange with the federal authorities. Connection of credit institutions to the Public Information System of Government and Municipal Payments

Electronic document exchange has been introduced at all the BRPS sites accepting for execution and executing orders. Customers of the Bank of Russia, participants of electronic document exchange, including the beneficiaries and banks of beneficiaries have a possibility of submitting to the Bank of Russia any orders electronically, including collection orders, payment claims, payment orders for execution in all settlement systems of the Bank of Russia.

Payments made by the Federal Treasury as part of the implementation of its function of ensuring the federal budget execution and cash servicing of the budget execution within the budget system of the Russian Federation, are of paramount national importance. The value of payments of the Federal Treasury and its regional branches that participate in the electronic exchange of payment documents with the Bank of Russia is growing every year, accounting for a significant share of payments effected through the BRPS.

In 2014, the Bank of Russia's interaction with federal executive authorities was further developed, including the continued work with the Russian Ministry of Finance and the Federal Treasury on improving the interaction between banks and the Government Information System of Government and Municipal Payments (GIS GMP).

GIS GMP is a centralized system that provides the reception, recording and transfer of information among its members, which are the administrators of budget

revenues, the organisations accepting payments, portals, multi-functional centers which interact with GIS GMP through a system of inter-agency electronic interaction. GIS GMP allows individuals and legal entities to obtain information about their obligations to the budgets of the Russian Federation budget system based on the single window principle.

By the end of 2014, according to the information available to the Bank of Russia, 97.5% of credit institutions completed the registration as GIS GMP participants.

The Bank of Russia ensures the exchange of information in the electronic form, stipulated by the Tax Code of the Russian Federation and other federal laws, between the federal executive authorities, Bank of Russia departments and credit institutions.

To meet the requirements of the Tax Code of the Russian Federation (Articles 46, 60 and 76) the Bank of Russia issued Regulation No. 440-P dated 6 November 2014 'On the Procedure for Tax Authorities to Send Documents to Banks, and for Banks to Send Documents to Tax Authorities in Electronic Form in Instances Stipulated by the Russian Legislation on Taxes and Duties', with a refined procedure for sending certain documents of tax authorities to banks, as well as sending documents in electronic form by banks to the tax authorities through the Bank of Russia; the list of these documents has been expanded.

I.2.2. Payment system of a non-bank credit institution National Settlement Depository

I.2.2.1. General information

'Payment System of a non-bank credit institution National Settlement Depository' (PS NSD), which operator's functions are performed by a non-bank credit institution Closed Joint Stock Company 'National Settlement Depository' (NSD), is a part of the post-trade infrastructure of the 'Moscow Exchange' Group and holds a special place in the national payment system. On the territory of the Russian Federation in the framework of the PS NSD, funds transfers are made under the transactions made on the organized trades, under the transactions concluded on the OTC market, as well as within the implementation by the Bank of Russia of funds transfers for credit institutions refinancing and the implementation of open market operations. In this regard, in accordance with parts 2 and 3 of Clause 1 of Article 22 of the Federal Law No. 161-FZ, the PS NSD from the date of the registration of this payment system operator (26 December 2012) is a systemically important payment system.

After amendments to the Federal Law No. 161-FZ were adopted, including the provisions for the emergence of a new payment systems category of nationally important payment systems, the PS NSD in accordance with Clause 14 of Article 22 of the Federal Law No. 161-FZ is also recognized as a nationally important payment system from 5 May 2014⁶.

In accordance with the requirements of the Federal Law No. 161-FZ, in 2014 the Bank of Russia in the framework of its monitoring activities carried out an assessment of the PS NSD compliance with the recommendations of the Bank of Russia on the use of the standards set forth in the document 'Principles for financial market infrastructures'. The results of the evaluation performed, which show a sufficiently high level of compliance with these recommendations, are published on the website of the Bank of Russia⁷.

I.2.2.2. Payment system indicators

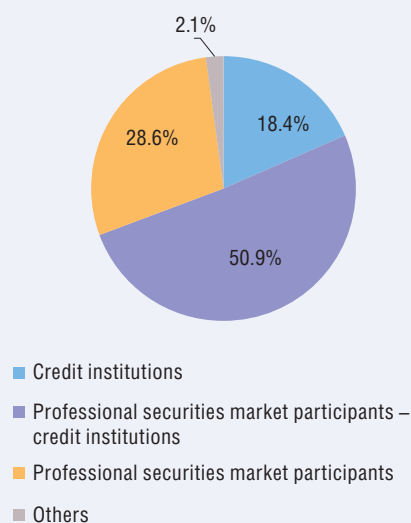
Information about PS NSD participants

The number of PS NSD participants as of end-2014 reached 700, increasing by 1.4% compared to 2013.

In their structure compared with 2013, the number of credit institutions other than professional participants of the securities market increased by 15.2% (from 112 to 129 participants), the number of credit institutions – professional participants of the securities market⁸ decreased by 3.3% (from 368 to 356 participants), the number of professional securities market participants, other than credit institutions decreased by 3.5% (from 207 to 200 participants). In addition, one foreign bank became a participant of the PS NSD.

As of end-2014, the PS NSD participants opened 6,399 bank accounts with the PS NSD settlement center, of which 4,357 (68.1%) – in Russian rubles and 2,042 (31.9%) – in foreign currency. During the year, the total number of open bank accounts increased by 20.3% (by 1,082 accounts), accounts in foreign currency – by 52.6% (by 704 accounts), and in Russian rubles – by 9.5% (by 378 accounts).

Chart I.12. Structure of PS NSD participants at end-2014



Information about transfers made in the PS NSD

In 2014, within the PS NSD 699.1 thousand funds transfers in Russian rubles were carried out which was 5.7% less than in 2013. The total value of transfers amounted to 129.8 trillion rubles, demonstrating an increase of 22.5%. One third of this amount (43 trillion rubles) was recorded in the Q4.

⁶ According to the register of payment systems operators, published on the official website of Bank of Russia at <http://cbr.ru/PSystem/?PrId=rops>.

⁷ For assessment of the payment system of the NSD, see: http://cbr.ru/press/PR.aspx?file=12022015_184742if2015-02-12T18_44_04.html.

⁸ In accordance with the definition given in Article 2 of the Federal Law No. 39-FZ dated 22 April 1996 'On the Securities Market'.

The bulk of the transfers were constituted by payments on the transactions made on the organised market, both by volume – 660.6 thousand, and by value – 92.2 trillion rubles. Compared to 2013, the total volume and value of such transfers decreased by 5.2 and 2.6%, respectively.

Most of the transfers made on the organised market were the transfers on transactions in the stock market – 84.2% of the total volume and 81.2% of the total value. These indicators decreased by 11.4 and 13.7% respectively, as compared to 2013.

In addition, within the framework of the PS NSD 15.1 thousand transfers from the trading bank accounts of the OTC market participants worth 34.9 trillion rubles were carried out in 2014. The activity of the OTC market participants has grown: compared with the previous year, the volume of such transfers has increased almost twice and their value almost 6.5 times. The volume of other funds transfers⁹ in the PS NSD in 2014 was 23.4 thousand with their value amounting to 2.7 trillion rubles, decreasing by 35.5 and 53.7%, respectively.

In 2014 within the PS NSD funds transfers in foreign currency were comparable in volume and value with other transfers. 12.4 thousand operations of the amount of 3.3 trillion rubles were executed¹⁰, which is a small fraction of all the funds transfers carried out by the PS NSD (1.7 and 2.5%, respectively). With that, a growth in the volume and value of funds transfers in foreign currency was registered: almost 2 times in volume and 7 times in value.

External transfers

Funds transfers from bank accounts of the PS NSD participants were also carried out to bank accounts of the PS NSD customers other than PS NSD participants opened in the settlement center, to bank accounts of other resident and non-resident organisations of the Russian Federation, except for accounts opened in the settlement center, as well as from the bank accounts of the above listed organisations to the bank accounts of PS NSD participants (hereinafter, external transfers). In 2014 the value of external transfers amounted to 362 trillion rubles, exceeding 2.8 times the total value of transfers carried out in the framework of the PS NSD. A reduction in the external transfers' value by 11.2% and in their share in the total volume of transfers carried out by the settlement center of the PS NSD (from 79.4 to 73.6%) was also noted. At the same time the share of the value of transfers between accounts of the PS

⁹ Other transfers are made between bank accounts of PS NSD participants and are mostly of auxiliary nature, for example, to provide liquidity to bank trading accounts of PS NSD participants in the stock market or the OTC market.

¹⁰ The total value of transactions in foreign currencies was calculated at the exchange rate of the Bank of Russia on the transfer date.

Chart I.13. Structure of funds transfers within the PS NSD in Russian rubles in 2014

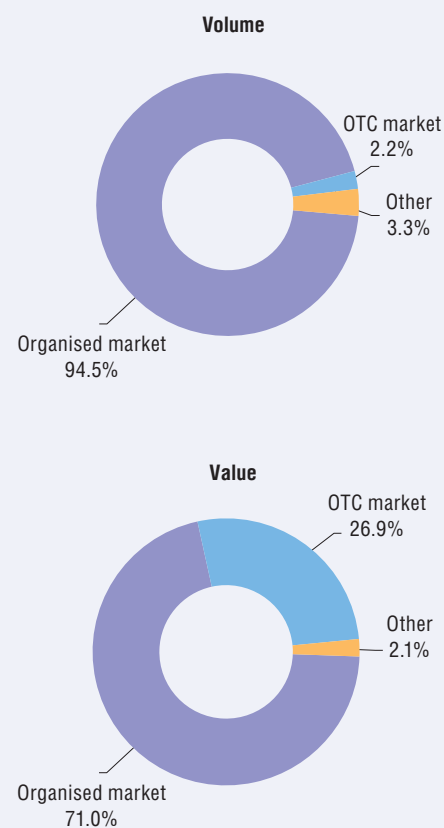
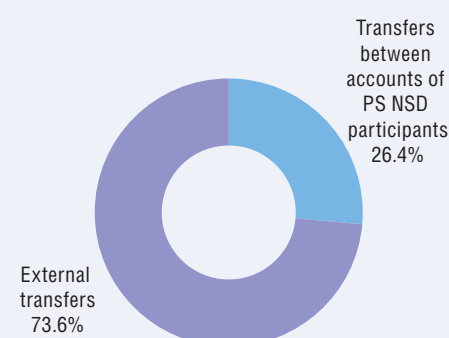


Chart I.14. Ratio of transfers between accounts of PS NSD participants and external transfers in 2014 (by value)



NSD participants compared to the year 2014 increased from 20.6 to 26.4%.

The level of concentration and the turnover ratio

The concentration ratio in the PS NSD¹¹, reflecting the share of five largest participants in the total value of transfers in 2014 amounted to 24.9% (in 2013 – 22.7%), the funds turnover rate¹² – 34.2%. Moderate values of these indicators suggest an insignificant exposure of PS NSD to the systemic risk that may be realized due to default of one of the largest participants in the system on its liabilities¹³.

I.3. Socially important payment systems

In 2014, seven socially important payment systems operated in the Russian Federation: Visa, 'Golden Crown', 'International Money Transfers LEADER', 'MasterCard', VTB, 'Sberbank' and CONTACT.

Three payment systems in the indicated period were recognized to be socially important: VTB, 'Sberbank' and 'International Money Transfers LEADER'. Two payment systems lost their social importance – VTB (due to the increase in the social importance criteria values of payment systems set by the Bank of Russia and the VTB failure to meet the new criteria) and CONTACT (in connection with the statement of the operator of the 'RUSSLAVBANK' (ZAO) payment system on the exclusion from the register of payment systems operators). As of end-2014 five socially important payment systems operated in the Russian Federation: Visa, 'Golden Crown', 'International Money Transfers LEADER', 'MasterCard' and 'Sberbank'.

¹¹ The concentration ratio was calculated based on the total value of cash debits by five largest participants of the PS NSD to the bank accounts of the PS NSD participants executed by the settlement center in 2014, with the exception of clearing organisations and / or central counterparties and other infrastructure organisations that are participants of the payment system.

¹² The factor is calculated as the ratio of the average annual value (total of funds debiting from the bank accounts of the PS NSD participants to the bank accounts of the PS NSD participants for the trading day (excluding write-offs from the accounts of the PS NSD) to the average annual value of the cash balance at the beginning of the trading day and of the amounts credited to the appropriate accounts.

¹³ The systemic risk is understood as the risk that a failure of one or more payment system participants to meet their obligations will result in the inability of other participants to fulfill their obligations on time.

Box 2

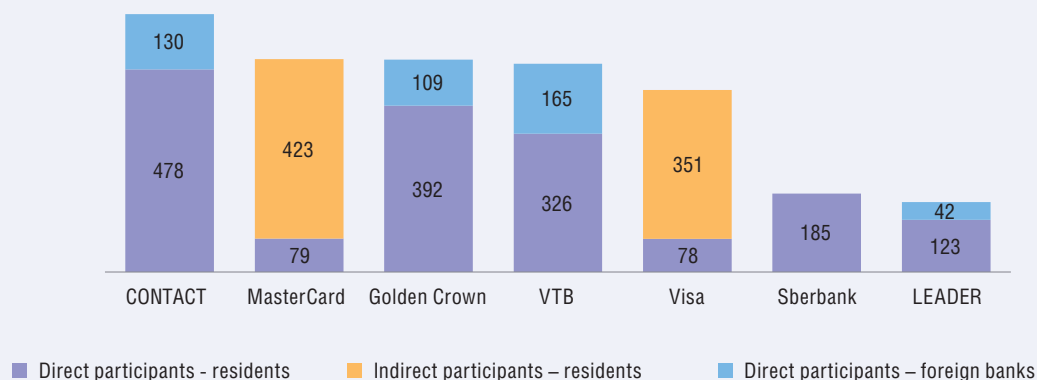
The Bank of Russia recognizes a payment system to be socially important in case of its compliance with at least one of the criteria specified in part 2 of Article 22 of the Federal Law No. 161-FZ. The values of such criteria are determined by the Bank of Russia Ordinance No 2815-U dated 2 May 2012 'On Setting Criteria Values for Qualifying Payment Systems as Important'.

The criteria values for qualifying payment systems as socially important

Criteria \ PS	CONTACT	Visa	MasterCard	Golden Crown	Sberbank	VTB	LEADER
Date of the importance recognition	22.04.2013	24.09.2013	24.09.2013	24.09.2013	14.01.2014	14.01.2014	11.06.2014
Date of the importance loss	27.08.2014					06.12.2014	
The criteria values for qualifying payment systems as socially important							
The total value of transfers for 3 consecutive months and more than a half of transfers worth the amounts set by the Bank of Russia	√	√	√	√	√	√	
The volume of transfers without opening a bank account for the year set by the Bank of Russia	√						√
The criteria according to which the payment system retains the social importance as of end-2014							
The total value of transfers for 3 consecutive months and more than a half of transfers worth the amounts set by the Bank of Russia					√		
The volume of transfers using payment cards for the year set by the Bank of Russia		√	√				
The volume of transfers without opening a bank account for the year set by the Bank of Russia				√			√

Participants of socially important payment systems

The participants of socially important payment systems are funds transfer operators (credit institutions – residents of the Russian Federation) and foreign banks. It shall be noted, that the composition of the four socially important payment systems (VTB, CONTACT, 'Golden Crown', 'International Money Transfers LEADER') includes representatives of both these groups. More than 50% of the participants of the payment systems Visa, 'MasterCard' and CONTACT were credit institutions registered in the Russian Federation. The list of participants of the Visa and 'MasterCard' payment systems includes only the funds transfer operators that are either direct or indirect participants.

Chart I.15. Structure of participants of socially important payment systems as of end-2014¹⁴

In the first half of 2014 the socially important payment systems executed 2,059.9 million funds transfers, of which 2,048.7 million funds transfers were in rubles worth 5,134.4 billion rubles and 11.2 million funds transfers – denominated in foreign currencies worth 310.8 billion rubles. In the second half of the year the corresponding figures were 2,513.4 million funds transfers: 2,502.2 million funds transfers in rubles worth 6,629.4 billion rubles and 11.2 million funds transfers in foreign currencies worth 806.9 billion rubles.

The socially important payment systems are used mainly for small-value funds transfers. In the payment systems Visa, 'MasterCard', 'Golden Crown', 'International Money Transfers LEADER' and CONTACT, virtually all of the funds transfers were made in an amount below 100 thousand rubles. In the payment systems 'Sberbank' and VTB the share of such transfers was prevailing and accounted to 86.7 and 82.7%, respectively.

The volume of funds transfers worth up to 100 thousand rubles in the payment systems Visa and 'MasterCard' significantly exceeded the total volume of such transfers carried out through the rest of socially important payment systems (21.6 and 7.6 times, respectively).

Table I.5. Funds transfers worth up to 100 thousand rubles

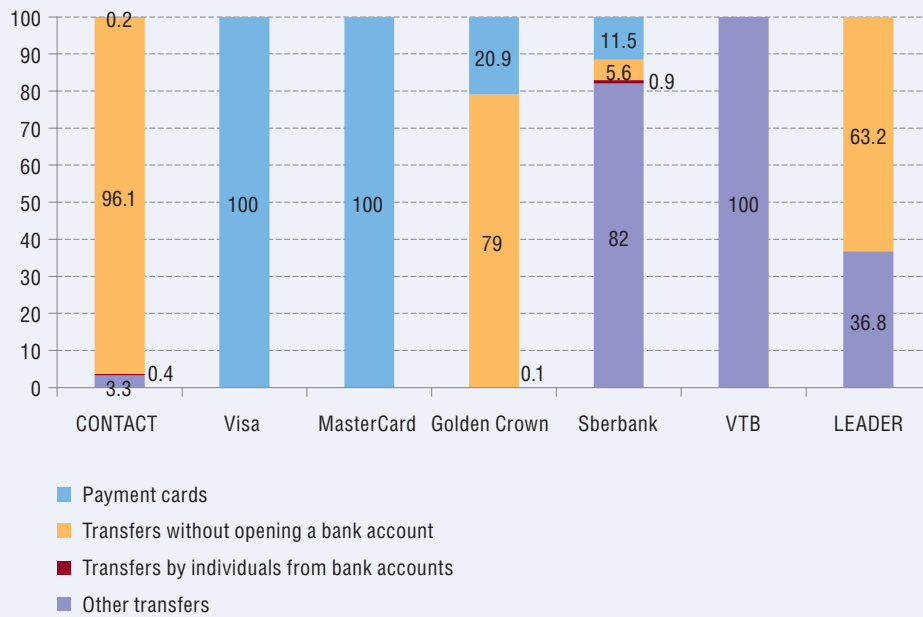
Name of the payment system	Share in the total volume of transfers in the PS, %
Visa	99.9
MasterCard	99.9
Golden Crown	98.5
LEADER	99.9
Sberbank	86.7
CONTACT	99.0
VTB	82.7

Structure of funds transfers within the socially important payment systems

Within the framework of socially important payment systems, the following types of funds transfers were executed: payment card-based transfers, funds transfers without opening a bank account, transfers of individuals from bank accounts and other transfers (which, in particular, include transfers from the

¹⁴ Here and below, the presented data refer to reporting form 0403201 'Information on the Payment Systems of payment systems' operators' (Bank of Russia Ordinance No. 2824-U of 31.05.2012 'On reporting on the payment systems of payment systems' operators'). Information on the CONTACT payment system is as of 30.06.2014, given that the system lost its social importance status on 27.08.2014. The VTB payment system lost its social importance status on 26.12.2014.

Chart I.16. Structure of funds transfers carried out through individual socially important payment systems (share in the volume of transfers, by payment system, %)



accounts of legal entities). That said, as a rule, within a single payment system there is a dominance of operations of one or two types.

Such payment systems as Visa and 'MasterCard' specialized in the implementation of funds transfers using payment cards (100% of all transfers in the respective payment systems), by contrast, for example, the VTB payment system implemented only other funds transfers (in particular, the transfers from the accounts of legal entities). The CONTACT payment system specialized in transfers without opening a bank account.

In the 'Sberbank' payment system the main share of funds transfers fell on other transfers and much smaller shares – on transfers using payment cards and transfers without opening a bank account.

The prevailing number of funds transfers in the 'Golden Crown' payment system was carried out on transfers without opening a bank account; a less significant share of transfers was made using payment cards.

The Payment system 'International Money Transfers LEADER' also specialized in two types of funds transfers: transfers without opening a bank account and other transfers.

CHAPTER II. FUNDS TRANSFER OPERATORS

II.1. Important credit institutions in the payment services market

The Bank of Russia recognises credit institutions to be important in the payment services market as a result of assessing the compliance with the importance criteria set by the Bank of Russia¹⁵ for such credit institutions, effecting funds transfers with the use of payment cards and electronic money (e-money).

In accordance with the Bank of Russia importance criteria, a credit institution is recognised as important in the payment services market if its share by at least one of the indicators (volume of payment card-based transactions, number of issued payment cards, quantitative characteristics of the infrastructure for payment cards acceptance, value of e-money transfers) makes two percent or more of the total for all the credit institutions in any of the federal districts of the Russian Federation.

The assessment of the compliance of credit institutions, effecting funds transfers using payment cards and e-money, with the importance criteria set by the Bank of Russia, shall be carried out by the Bank of Russia on an annual basis as part of the oversight of the national payment system, including the monitoring of the reporting data submitted by credit institutions to the Bank of Russia¹⁶.

In 2014, the Bank of Russia recognised 51 credit institutions as important in the payment services market¹⁷. Their consolidated share in the total credit institutions of the Russian federal districts exceeded 75% by indicators included in the importance criteria.

¹⁵ The Bank of Russia Ordinance No. 3439-U dated 6 November 2014 'On the Procedure for Recognizing Credit Institutions' Importance in the Payment Services Market'.

¹⁶ Reporting form 0409250 'Information on transactions involving the use of payment cards and on the infrastructure designed to perform, with and without the use of payment cards, operations of cash issuing (receipt) and payments for goods (works, services)', reporting form 0409259 'Information on credit institutions' activities associated with e-money transfers'.

¹⁷ The Register of Credit Institutions recognized by the Bank of Russia as important in the payment services market is published in the 'Bank of Russia Bulletin' and posted on the Bank of Russia website in the section the 'National Payment System' (<http://www.cbr.ru/PSystem/?PrId=reestr>).

II.2. Accessibility of payment services

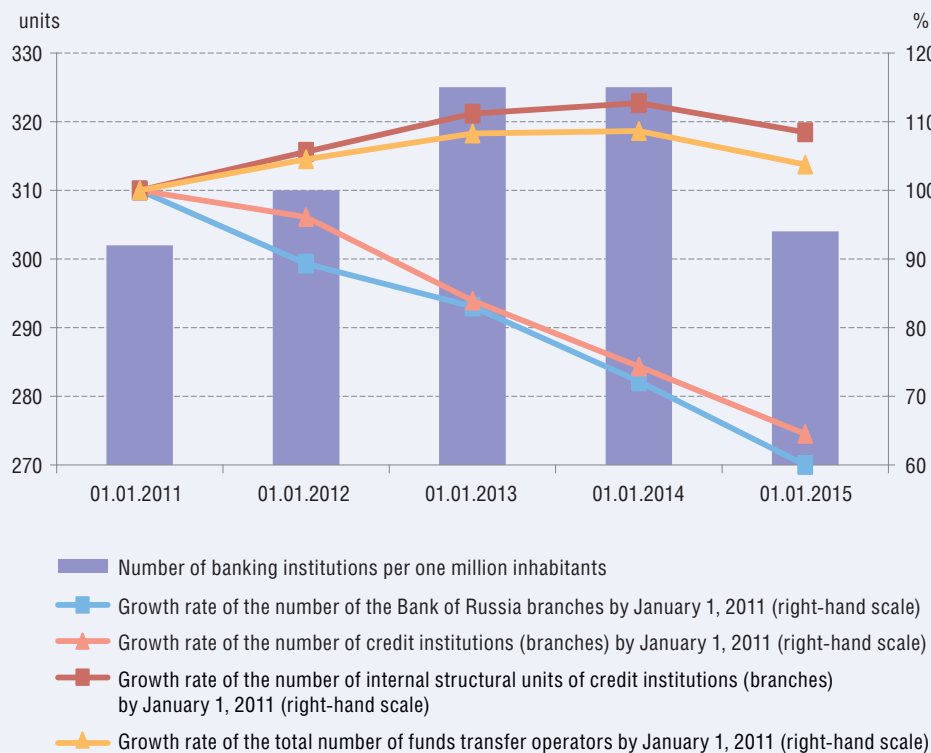
II.2.1. Payment infrastructure of funds transfer operators

In 2014, the number of funds transfer operators decreased by 4.5% and amounted to 44.5 thousand as of end-2014: 365 the Bank of Russia branches and about 44.1 thousand credit institutions and their branches and internal structural units¹⁸.

In 2014, the Bank of Russia took steps to transform its regional network, as a result of which 79 main branches and national banks were transformed into seven main branches with their regional divisions (divisions – national banks). As part of the reorganisation, main head cash and settlement centres were liquidated.

In 2014, the number of credit institutions continued to decline (from 923 as of end-2013 to 834 as of end-2014) and so did their branches (by 14.8% to 1,708). This indicator was the

Chart II.1. Selected development indicators of the payment infrastructure of funds transfer operators in 2010–2014



¹⁸ Additional offices, operations offices, credit and cash offices, and cash operations departments outside cash settlement centres.

highest in the North Caucasus Federal District (35.9%) and the Urals Federal District (16.5%). This trend is largely linked with the revocation of banking licences and the ongoing optimisation of regional networks carried out by large multi-branch banks.

One of the most important tasks faced by credit institutions in 2014 was the need to install the payment infrastructure in the Crimea Federal District. As of end-2014, 530 branches of credit institutions operated in its territory, of which the share of operations offices was 66.2%.

As of end-2014, there were 302 banking institutions providing payment services¹⁹ per 1 million Russian residents (as of end-2013, 325 institutions). The highest level of the bank offices network availability was typical of the Moscow Region and the Volga Federal District (341 and 340 banking institutions per 1 million inhabitants respectively) and the lowest level was observed in the North Caucasus Federal District (128 banking institutions per 1 million inhabitants).

The main way to increase the availability of banking services in the Russian Federation, keeping in mind the vast national territory and the downward trend in the availability of bank offices, is the development of e-banking services²⁰, providing credit institution customers with broad opportunities of managing their bank accounts and obtaining a range of services without their physical presence at a bank branch.

In 2014, the absolute majority of credit institutions provided customers with a possibility of remote access to their accounts for making payments (94.6% of the total number of operating credit institutions), of which 94.2% provided access via the Internet and 15.1% – via mobile phones.

The number of remote access accounts opened with credit institutions by individuals and legal entities other than credit institutions rose by more than 12.6% and reached 128.1 million. This is more than a half (54.1%) of the total number of active accounts²¹.

An important prerequisite for the development of the country's innovative payment mechanisms is technological and infrastructural sufficiency. In particular, further advancement of e-banking services is largely due to the increasing number of the World Wide Web users, improved quality of access to it in different regions, as well as growing information security.

According to international statistics²², the number of Internet users worldwide in the last 10 years increased on average by 12.4% a year to reach 2.9 billion people in 2014 (more than

¹⁹ Credit institutions and their branches, additional offices, operations offices, credit and cash offices, and cash operations departments outside cash settlement centres.

²⁰ Including the use of the Internet, mobile phones, payment cards, the Customer-Bank system, etc.

²¹ Accounts through which at least one non-cash payment has been conducted since the beginning of the year.

²² See: www.itu.int/ict.

40% of the world's population). Of this, two thirds of users were the residents of developing countries.

The number of Internet users in Russia is increasing every year. For example, in 2014 it reached 84.4 million, which exceeds the figure of 2013 by 9.7%.

According to the Public Opinion Foundation data, in the autumn of 2014, like in previous years, the Internet penetration rate was the highest in the Northwestern Federal District, Central Federal District and Urals Federal District – 69.1, 65.3 and 63.3% respectively.

Internet penetration rate is closely linked to the size of the settlements: the larger the town, the greater is the proportion of the population with access to the World Web. In Moscow and St. Petersburg in the autumn of 2014, this indicator was 77.2 and 76.8% respectively, while its lowest value was observed in rural settlements – 50.2%.

Chart II.2. Households with home Internet access, %

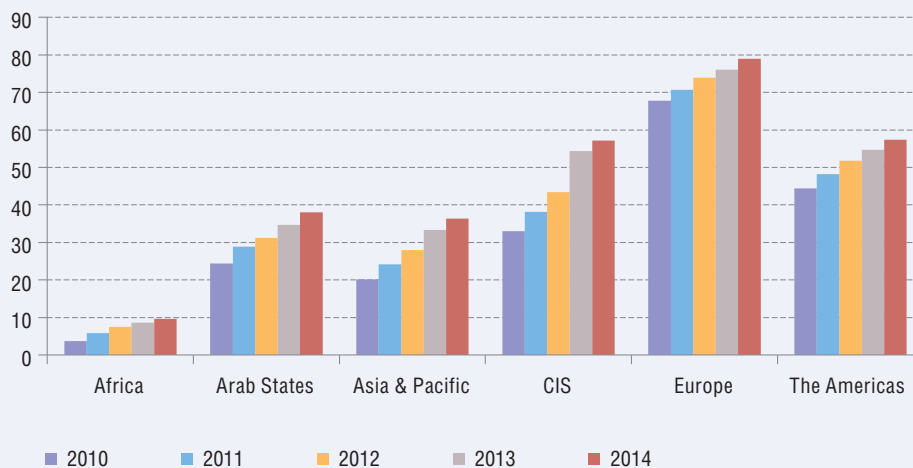


Chart II.3. Individuals using the Internet, %

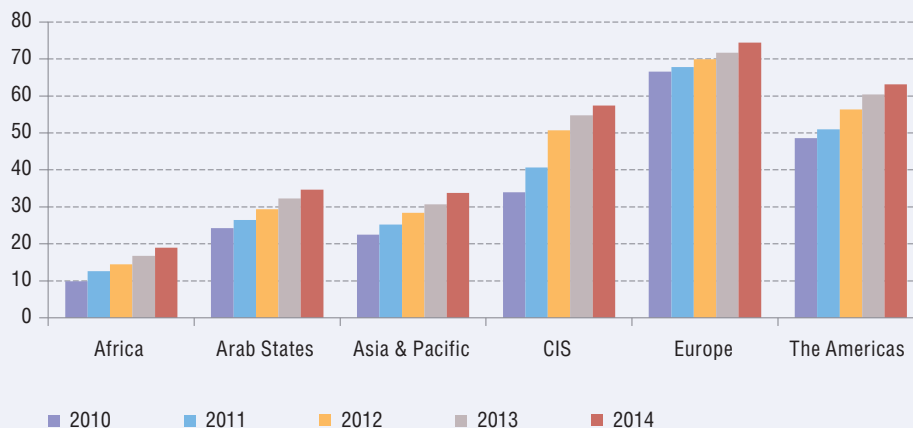
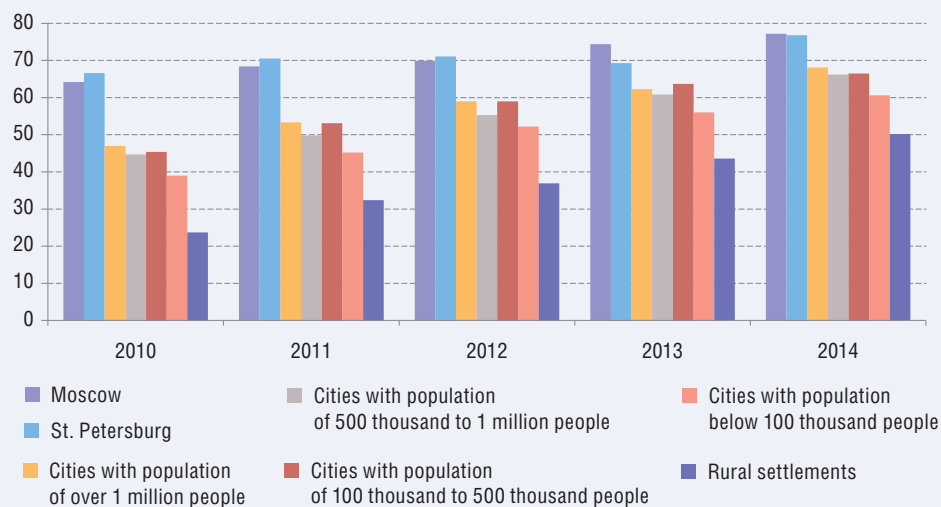
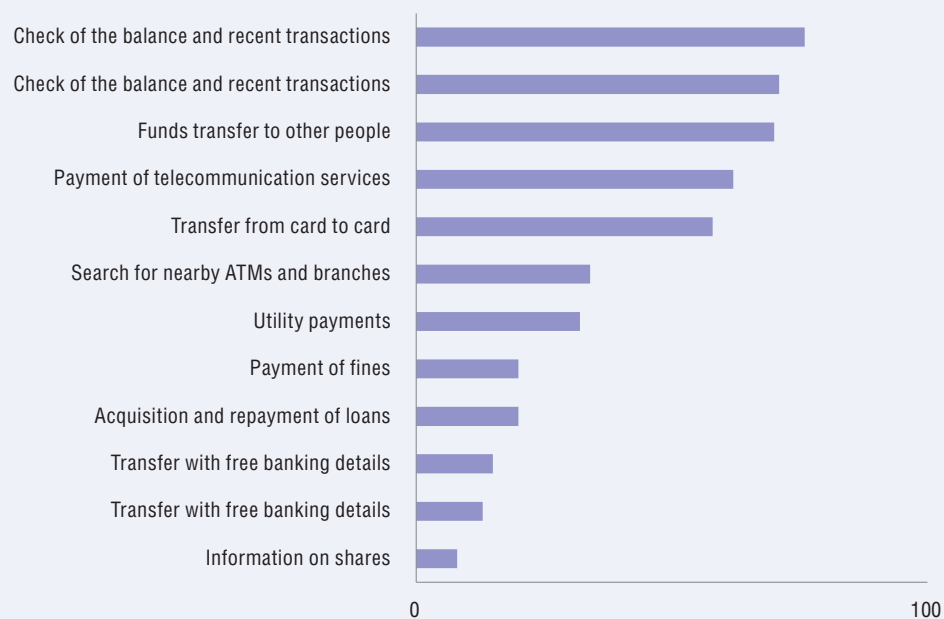


Chart II.4. Internet penetration by type of settlement, %**Chart II.5.** Most popular mobile banking functions in Russia (April 2014)

Due to the growing speed of the mobile broadband communication and the increasing introduction of smartphones, the mobile communication industry continues to evolve progressively. By end-2014, the number of unique mobile subscribers reached 3.6 billion²³.

²³ According to the report of GSMA Intelligence 'The Mobile Economy 2015'.

Mobile banking in the Russian Federation is the fastest growing segment of remote banking services. According to the annual survey of the Russian market of mobile banking, conducted by J'son & Partners Consulting²⁴, in 2014 the payment turnover with the use of mobile banking amounted to 15.2 billion rubles. In 2015, according to preliminary estimates, the turnover will increase by 30%. Within the framework of an express survey of mobile banking users, more than a half of respondents in Russia said that they used mobile banking once a week or more frequently²⁵. The most actively used function is the check of the balance and of recent transactions.

II.2.2. Devices of credit institutions used in effecting payments

The development of non-cash payments entails the development of devices used to effect them and a change in their quantitative indicators.

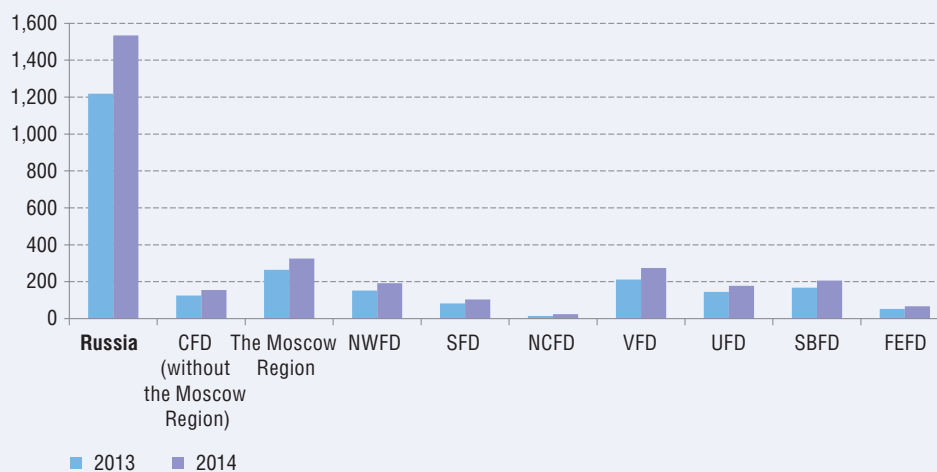
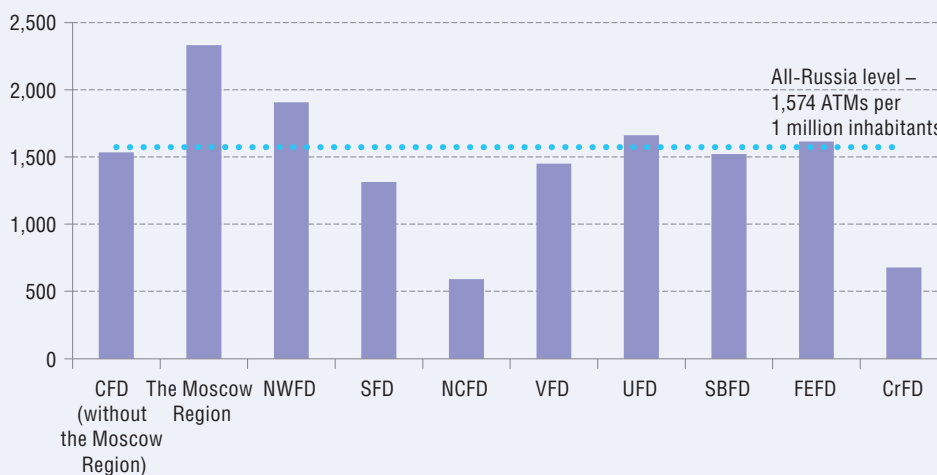
In 2014, the number of credit institutions' devices used for cash issue (receipt) operations and payments for goods (works, services), including the operations without the use of payment cards, increased by 24.0% on 2013, reaching 1.7 million. The number of devices used for making payments increased by 25.9% to 1.5 million. Increase in this indicator was observed in all the federal districts: its highest value was registered in the North Caucasus Federal District (64.7%), the lowest – in the Urals and Siberian Federal Districts (22.3 and 22.4% respectively).

As of end-2014, in the territory of Russia there were 230.2 thousand ATMs and POS terminals of credit institutions, marking a 3% decrease year on year. Decrease was observed in virtually all the federal districts, with the most significant (9.4%) one in the Siberian Federal District. Growth was registered only in the Far Eastern (by 6.8%) and the North Caucasus Federal Districts (by 0.2%). In the Moscow Region, the number of ATMs and POS terminals of credit institutions slightly decreased, by 0.5%.

In 2014, the level of ATMs and POS terminals accessibility decreased by 5% and in the entire Russian Federation amounted to 1,574 per 1 million inhabitants. This parameter exceeded the nationwide value in the Northwestern (1,905), the Urals (1,661) and the Far-Eastern (1,616) Federal Districts, as well as in the Moscow Region (2,332). In other federal districts it varied from 590 in the North Caucasus Federal District to 1,534 in the Central Federal District (without the Moscow Region).

²⁴ See: http://json.tv/ict_telecom_analytics_view/mobilnyy-banking-v-rf-prognozy-rynka-povedenie-polzovateley-reyting-prilojeniy-20150525095123.

²⁵ The online survey of Internet and social networks active users.

Chart II.6. Number of payment devices of credit institutions, by federal district, thousands**Chart II.7.** Accessibility of ATMs and POS terminals by federal district in 2014 (number of devices per 1 million residents)

In 2014, the accessibility of ATMs used to make payments was higher than in the previous year. The number of ATMs with a function of payment for goods and services increased by 18.8% to 218.1 thousand, while the share of such devices in the total number of ATMs of credit institutions increased by 1% to 98%.

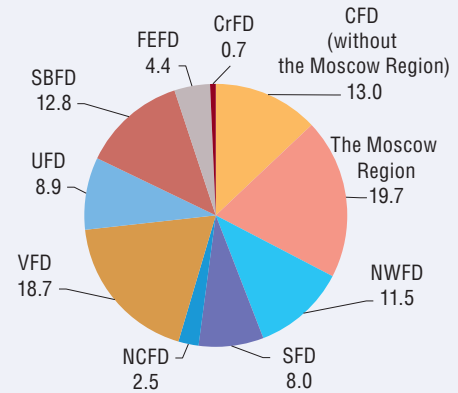
Like in the previous years, the population's demand for devices with a cash-loading function (ATMs and POS terminals) in 2014 remained at a high level. They amounted to over 60% of the total number of ATMs and POS terminals. The leaders in this indicator in 2014 were the Central (excluding the Moscow Region) and the Siberian Federal Districts (64.6 and 63.6% respectively). In the Moscow Region the cash-loading function was available in 66.6% of ATMs and POS terminals.

The level of development of non-cash payments in many respects depends on the equipment of trade and services

enterprises with devices accepting non-cash payment instruments. In 2014, the number of electronic terminals installed at trade and service organisations, as well as remote access terminals increased by 33.4% and amounted to 1.3 million. The highest growth rates of this indicator were registered in the North Caucasus Federal District (more than twofold); in other federal districts it varied from 26.5% in the Urals Federal District up to 36% in the Southern Federal District.

Also in 2014, the level of electronic terminals accessibility increased by more than 30%, reaching the level of 8,889 per 1 million inhabitants. The largest number of electronic terminals per 1 million residents was registered in the Urals (12,803) and Northwestern (11,933) Federal Districts. The Moscow Region still remained the most developed region by this indicator: the number of POS terminals per 1 million inhabitants in 2014 reached 14,158. The lowest level of availability among all the federal districts was observed in the North Caucasus Federal District, where there were 1,925 devices per 1 million people.

Chart II.8. Distribution of the number of ATMs and POS terminals by federal district, % of all-Russia level

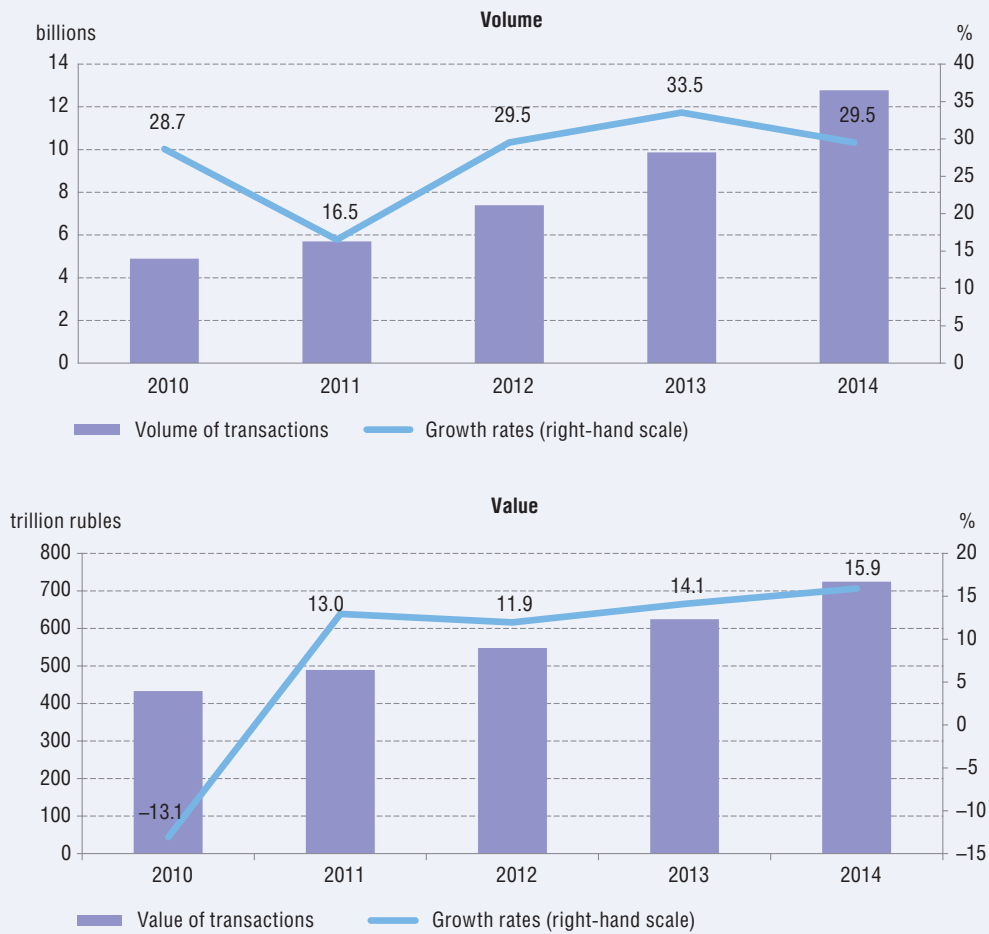


II.3. Payment instruments²⁶

In 2014, positive trends in the development of non-cash payments persisted largely owing to the Bank of Russia's joint work with credit institutions to improve the settlement infrastructure and ensure the confidence of the population in non-cash payment instruments.

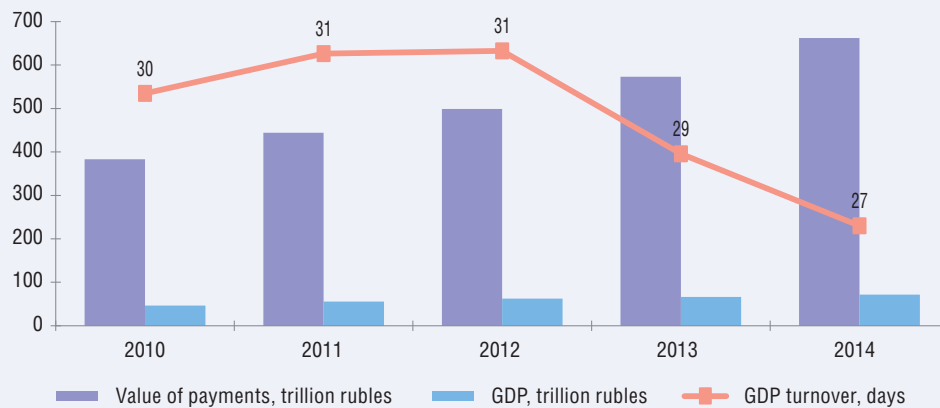
Compared with 2013, the volume and value of payments effected by the customers of credit institutions and the Bank of Russia (individuals and legal entities other than credit institutions) and by credit institutions on their own payments (hereinafter, non-banks) through funds transfer operators in Russian rubles and foreign currency increased by 29.5 and 15.9% respectively. In 2014, 12.8 billion payments were effected to the amount of 724.4 trillion rubles. The average payment decreased by 10.5% compared with the previous year to 56.7 thousand rubles. On average, 51.7 million payments were performed daily to the amount of 2.9 trillion rubles.

²⁶ Including payments in Russian rubles and foreign currency (other than transactions in the financial markets and repayments of loans) made from customer accounts with the Bank of Russia and credit institutions – individuals and legal entities other than credit institutions, including payment card transactions; remittances by individuals without opening a bank account; and own (mostly self-supporting) payments by credit institutions. According to the terminology of the Bank for International Settlements, these transactions are defined as 'payments by non-banks'.

Chart II.9. Non-cash payments of non-banks effected by credit institutions and the BRPS in 2010–2014

The overwhelming majority of payments were made in Russian rubles (99.4 and 91.7% of the total volume and value of payments of non-banks). Their volume increased by almost 29.6% as compared to 2013 to 12.7 billion payments, and their value – by 15.6% to 662.3 trillion rubles. The existing value of payments allowed the equivalent of annual GDP to turn over in 27 days. In the recent years, this indicator followed a downward track and at end-2014 corresponded to the average for the countries – participants of the Committee on Payments and Market Infrastructures hosted by the Bank for International Settlements (CPMI). The fastest turnover of the annual GDP equivalent was registered in the United Kingdom – 6 days.

As in previous years, the amount of payments denominated in foreign currency per one transaction significantly exceeded the amount of payments in Russian rubles. In 2014, the average payment in foreign currency equalled 828.1 thousand rubles, which was 15.9 times higher than the average payment in Russian rubles (52.1 thousand rubles). The total value of payments in foreign currency, estimated in US dollar, increased slightly relative to 2013 – by 0.5%. At the same time,

Chart II.10. Ratio of annual GDP turnover and the annual value of payments in the NPS in 2010–2014

its equivalent, calculated in Russian rubles, increased by 20%, which was due to the depreciation of the Russian ruble against the US dollar and other reserve currencies in 2014.

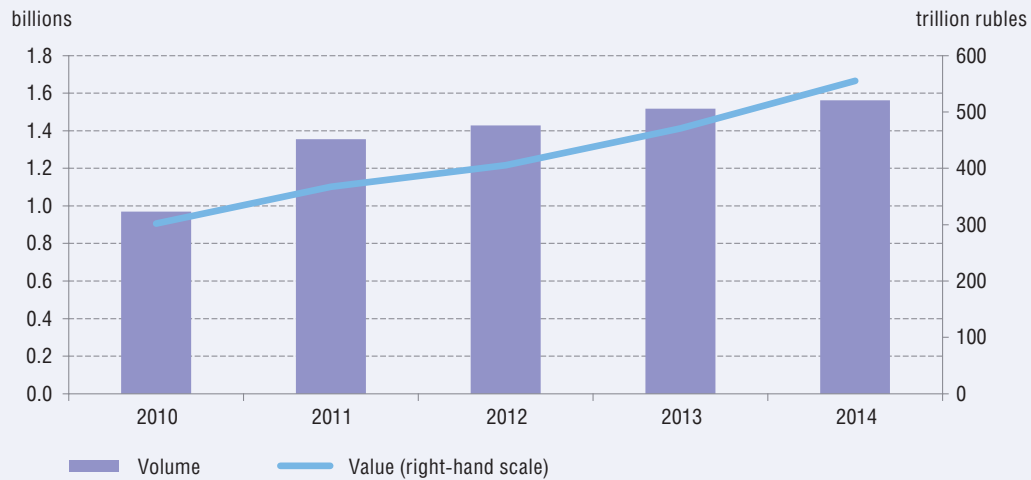
Within the structure of non-bank non-cash payments made through funds transfer operators, own payments of credit institutions and payments of their customers other than credit institutions still prevailed (98.5% of the total volume and 83.9% of the total value of payments). The share of payments made by the Bank of Russia customers other than credit institutions was 1.5% of the total volume and 16.1% of the total value of payments.

Compared with 2013, the volume and value of payments in Russian rubles and foreign currency made by non-banks through funds transfer operators – credit institutions increased by 30.1 and 17.5% respectively, and amounted to 12.6 billion transactions totalling 608.0 trillion rubles. 50.9 million payments of non-banks worth 2.5 trillion rubles were processed daily by credit institutions. The average payment decreased by 9.7% compared with the previous year to 48.3 thousand rubles.

In 2014, no significant changes were observed in the structure of payments of credit institutions' customers: the total volume was still dominated by the payments of individuals (87.0%) and the total value – by the payments of legal entities (95.0%).

Credit institutions accepted for execution from customers – legal entities other than credit institutions 1.6 billion funds transfer orders, amounting to 555.0 trillion rubles. The average payment increased by 14.6% to 355.4 thousand rubles compared with the previous year.

According to a survey conducted in July 2015 by the National Agency for Financial Studies (NAFS), 89% of respondents – legal entities do not encounter any problems with banks when making payments. About 95% of respondents are satisfied with the level

Chart II.11. Non-cash payments of legal entities other than credit institutions in 2010–2014

of automation of the payment processing within the bank and the speed of execution.

Much of this growth was due to the active use of remote service channels by legal entities when making payments, which, in particular, was confirmed by the results of the nationwide survey of small and medium-sized businesses ‘TRUST SME Index’ conducted in 2012 by NAFS, Expert RA rating agency and TRUST Bank. The study showed that the most popular banking service among the Russian enterprises, especially among small and medium-sized businesses, is the remote service (49% of respondents). Besides, small businesses are increasingly focused on Internet banking offering the integration with accounting systems of companies and options to generate the necessary analytical reporting.

The trend towards increased use of remote banking is reflected in the persistent growth in the number of customer accounts with remote access, as well as in the number of transactions made using them. During the year, the number of such accounts increased by 13.5% (to 3.7 million), they produced more than 65% of the total volume of active accounts of legal entities other than credit institutions. Noteworthy, the volume and value of payments using electronic technologies grew by 9.3 and 21.5% (1.3 billion orders to the amount of 499.1 trillion rubles).

One of the indicators characterising the development of the remote banking, is the frequency of use by credit institution’s corporate customers of remote access channels in the execution of non-cash payments. In 2014, in 82 cases out of 100, legal entities sent payment orders using electronic technologies and only in 18 cases – orders on paper. The share of electronic payments in the total value of payments by legal entities reached 89.9%. In their structure, the prevailing share both

in volume and value was made by online payments using the Internet (59.0 and 77.3% respectively).

The overwhelming majority of payments were made by legal entities through a credit transfer (70 out of 100 payments by volume, and 99 out of 100 – by value). Payments using bank orders accounted for 25.8% of the total volume and 0.7% of the total value, direct debits accounted for 3.8 and 0.3% respectively.

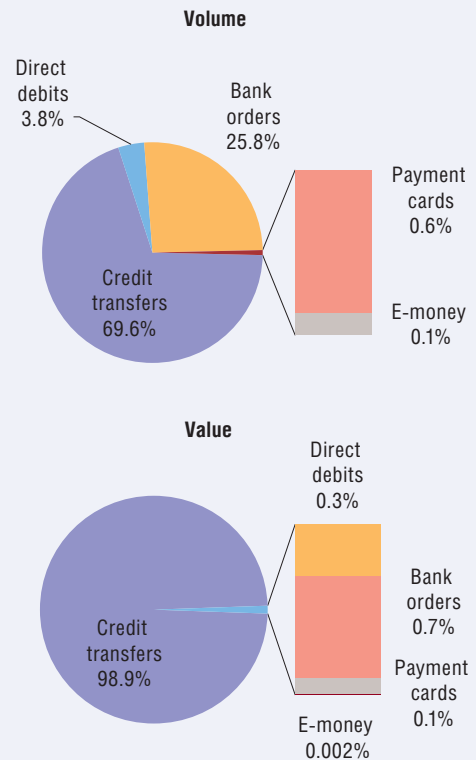
In 2014, individuals – customers of credit institutions effected 10.4 billion transactions worth 29.1 trillion rubles. As compared to 2013, their volume increased by 36.3% and the value – by more than a quarter, mainly due to transactions using payment cards. The growth rates of non-cash transactions by individuals significantly exceeded the same indicator for the corporate customers of credit institutions (12.7 times in volume and 1.4 times in value).

The ratio of the use by households of cash and non-cash (the ratio of cash received from individuals in cash desks at credit institutions, to the volume of non-cash transactions performed by them on the territory of Russia) in 2014 was comparable to the previous year, in 2013 the ratio was 1.41, in 2014 – 1.38. The key trend of several recent years in retail payment services is an increase in the share of payments using payment cards in the total volume and value of payments by individuals. Compared with 2013, this indicator increased from 59.8 to 65.2% in volume and from 33.4 to 39.4% in value. The share of large-value credit transfers, by contrast, declined by 6 percentage points in volume (to 14.4%) and in value (to 52.4%). Shares of the following most popular payment instruments (e-money and bank orders) by volume and value accounted for 10 and 4% respectively.

Non-cash payments effected on the basis of orders sent by individuals to credit institutions electronically increased by 43.1% in volume and by 45.1% in value – to 9.5 billion transactions amounting to 16.7 trillion rubles (90.7% of the total volume and 57.3% of the total value), of which the payments using payment cards accounted for 71.9 and 68.8% respectively. Of these, 27.3% of the orders were sent via the Internet and mobile devices, and their share in the total value of electronic payments was 21.8%. The growth of payments via the Internet and mobile communication devices was also characteristic of individuals' transactions with the use of payment cards (by 42.8% in volume and 37.8% in value), their share was 20.5% in volume and 7.8% in value.

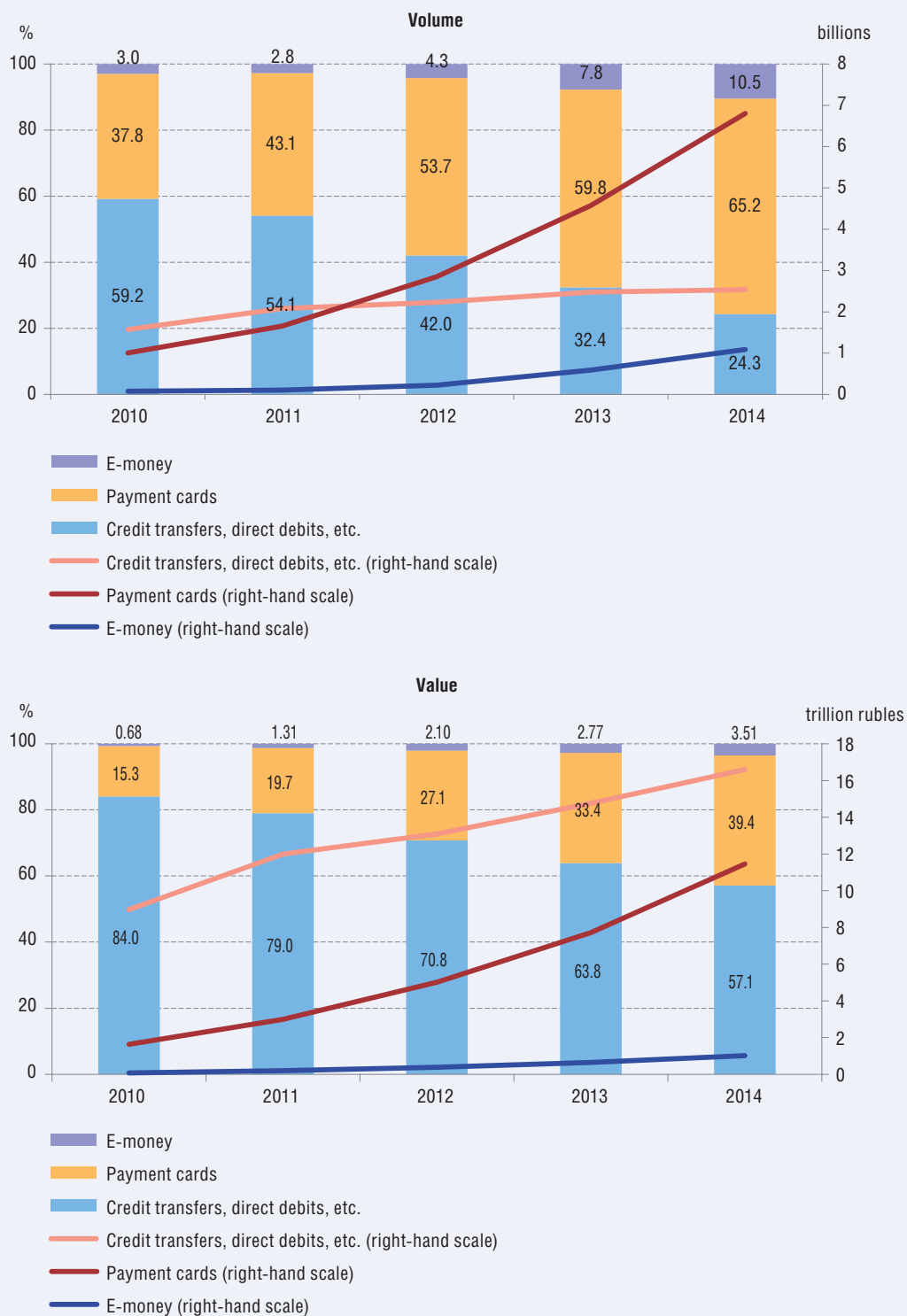
The number of accounts with remote access opened to individuals by credit institutions is growing every year: in 2014 it amounted to 124.4 million (about 55% of the total number of active accounts), which is 12.6% more than in the previous year. Most of these accounts were the accounts intended for transactions with debit and credit cards.

Chart II.12. Structure of legal entities' payments, by payment instrument*



* The share of cheques does not exceed thousandth fractions of a percent by both volume and value.

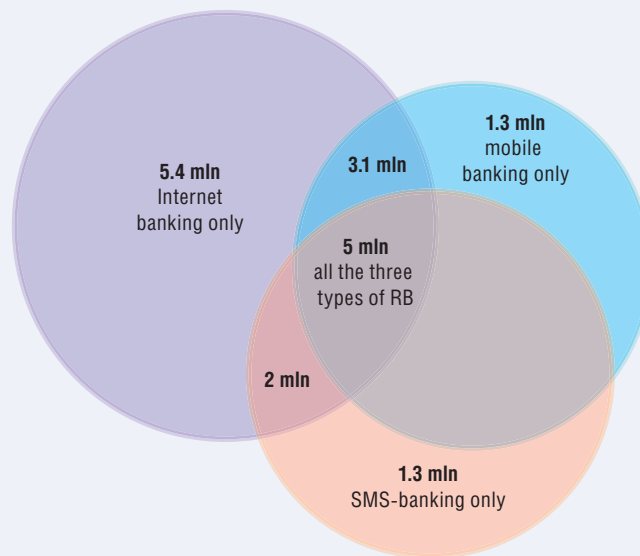
Chart II.13. Non-cash payments by individuals in 2010–2014



Box 3. Electronic financial and payment services in Russia

According to the survey of users of electronic financial and payment services in Russia, the e-Finance User Index 2014, conducted by the Marksw Webb Rank & Report agency¹, 68.7% of Internet users in Russia (19.4 million people²) use at least one of the remote banking services: internet banking, mobile banking, or SMS-banking. More than half of them use at least two different types of remote banking services (e.g. Internet banking and mobile banking), one in four – three different types of services. Internet banking for individuals is used by 54.6% of the Russian Internet audience (15.4 million people), mobile banking – by 38% (10.8 million people), and SMS-banking – by 34.3% (9.7 million people).

Overlapping of different groups of users of remote banking services



Results of the Survey suggest that:

- 19.6 million people make at least one payment transaction via the Internet every month;
- 11.7 million people made at least one payment through online banking once a month;
- 8.9 million people pay with payment cards in the Internet;
- 7 million people made online payments via e-wallets;
- 6.6 million people make at least one online payment through mobile devices once a month.

¹ Annual representative survey of more than 3 thousand respondents. The research method is available at: <http://markswwebb.ru/e-finance/e-finance-user-index/#method>.

² Based on estimate of 28.3 million daily Internet audience in Russia.

Box 4. Inconvenient interface is the main reason for not shopping in online stores

According to the research by MasterCard and UsabilityLab ‘The Process of Payment by Bank Card Online. Review and Best Practices’, up to 68% of orders of goods/services in online stores do not end up in a purchase. The reason for this in most cases is not a high price or wrong goods but the inconvenient interface of an online store.

One of the main reasons why customers give up on their orders of goods/services at the initial stage is the need for registration at the store site, which, in the opinion of users, can take too much time. Many sites offer the opportunity to order a product/service without registration, but this option is not always highlighted on the page, with the result that users do not notice it and regard it as inactive.

According to the research, an online retailer can lose up to 18% of customers who have regarded the order-form on the site as too complicated. Not all the tested online stores offer tips and provide contacts for feedback in case of errors. In the survey, many of the respondents admitted that at the time of ordering they were not sure that they were doing things right.

For many customers the decision-making process with regard to a purchase occurs at the stage of registration of the order (on the 'Shopping Cart' page). Unfortunately, not all online stores provide details, product images, their specifications, and links to a full description on this page.

A negative reaction of the respondents may be caused by a redirection to the page of a third-party service for the purpose of payment for the goods. Users regard as most logical and understandable the implementation of the entire order process on the same page and on the same site. Redirecting to another site or a new tab, asking to enter the data of a bank card, can complicate the process of making a purchase.

In some cases, online stores do not inform of the possible change in the total amount to be paid for the order depending on a payment method. Various hidden markups cause negative emotions of users. As a result, they prefer to look for better offers on other sites.

The study revealed that the stage of input of payment card details to pay for the purchase frequently causes distrust among buyers. Despite the fact that many sites use a common language to designate the fields that should be filled-in, users often get confused by specific terminology, notes on payment safety, and data input format. Many respondents indicated that the abbreviation PAN (Primary Account Number) was absolutely unclear and they did not know which data should be entered. Even common abbreviation CVV/CVC indicating the bank card security code, caused confusion among some users.

Respondents also noted that the reason for not shopping could be the absence of a mobile version of the site. According to recent studies, in the Russian Internet roughly 20% purchases are made via mobile devices.

High demand for payment services from enterprises, organisations and population within the context of payment infrastructure development was observed in the Central Federal District. In 2014, in the district 135 payments were effected per capita totalling 10.8 million rubles, which is much higher than the indicator for Russia as a whole (86 payments worth 4.2 million rubles). Among other federal districts the highest value of this indicator was registered in the Northwestern Federal District (106 payments totalling 3.2 million rubles) and the lowest – in the North Caucasus Federal District (24 payments totalling 0.4 million rubles).

The average amount of a payment made via credit institutions in the Central Federal District was 1.7 times higher than the value of a similar indicator for Russia as a whole and equalled 80.1 thousand rubles. The average amount of a payment in the North Caucasus Federal District was the smallest – 15.2 thousand rubles. In other federal districts, this indicator ranged from 18.4 (in the Siberian Federal District) to 30.4 thousand rubles (in the Northwestern Federal District).

Development of non-cash payments in the Crimea Federal District

In 2014, credit institutions paid great attention to the task of the payment infrastructure formation in the Crimea Federal District. As of end-2014 the region had 2 credit institutions, 18 branches and 510 internal divisions of credit institutions. The level of institutional saturation with banking services in the Crimea Federal District stood at 0.88, which is higher than the value of the index in a number of regions of the Russian Federation²⁷.

In the 9 months of 2014, individuals – customers of credit institutions of the Crimea Federal District effected 4.1 million transactions worth 230 billion rubles. Transactions of individuals dominated in terms of volume (48.5%) and transactions of legal entities other than credit institutions – in terms of value (91.1%). The latter daily effected on average 10.5 thousand transactions amounting to 1.1 billion rubles, and individuals made 10.4 thousand transactions worth 81.1 million rubles.

In the structure of payment instruments used in the Crimea Federal District, credit transfers prevailed, and accounted for 70.0% in the total volume and 97.6% in the total value of payments by non-banks.

Like in other Russian regions, in the Crimea Federal District payment cards were characterised by more dynamic development as compared with other payment instruments. By early 2015, 859.5 thousand payment cards were issued there. Thus, every fourth inhabitant of the region had one card. In the 9 months of 2014, the holders used these payment cards for effecting 5.8 million payments totalling 38.5 billion rubles, most of which fell on the payments effected in the territory of Russia (99.0% in volume and 99.3% in value).

By contrast to the population of other regions of Russia, inhabitants of the Crimea Federal District used payment cards mostly for withdrawing cash. Trading acquiring in the region has just started to evolve. As of end-2014, there were 6,713 electronic terminals installed in the CrFD points of sale, which was significantly less than in other Russian regions. However, it should be noted that since the beginning of July 2014 their number increased 6.1 times. An additional factor contributing to the growth of non-cash payments in this federal district is the rapid expansion of the ATM network with the function of non-cash payment for services. During the first 9 months of 2014, the number of such devices grew 4.3 times to 473.

²⁷ See: Banking Supervision Report 2014.

Table II.1. Selected indicators of the payment card market development in the Crimea Federal District in 2014

	Total	including			Dynamics by quarter
		Q2	Q3	Q4	
Number of payment cards issued in the CrFD, thousands (as of the end-period)	859.5	51.3	549.4	859.5	
Operations performed in the territory of Russia and abroad using payment cards issued in the CrFD (for the period)					
Total volume of operations, thousands of which	5,778.9	23.0	1,189.9	4,566.0	
cash withdrawal operations	5,463.4	18.3	1,133.7	4,311.4	
non-cash operations	315.6	4.7	56.2	254.6	
Total value of operations, million rubles of which	38,499.6	169.0	7,540.1	30,790.5	
cash withdrawal operations	37,635.2	153.4	7,368.1	30,113.7	
non-cash operations	864.4	15.6	172.0	676.8	
Number of payment cards receiving devices, thousands (as of the end-period) of which	8,730	1,966	6,979	8,730	
ATMs	1,197	325	865	1,197	
POS terminals	6,713	1,093	5,390	6,713	

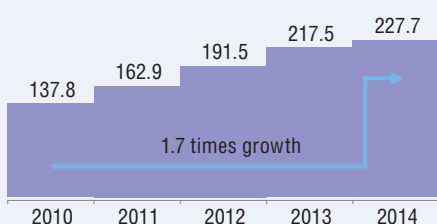
II.3.1. Payment cards

The development of remote payment services, for which payment cards are the main instrument, is the key to solving the problems of forming an innovative model for non-cash payments development, to ensuring the availability of payment services for the population in remote and inaccessible areas, and to reducing the costs for business entities and the state.

By end-2014, the number of payment cards issued in Russia reached 227.7 million, or 1.6 cards per capita. Most of them (68.6%) were debit cards, credit cards accounted for 14.0%, and payment cards with an 'overdraft' accounted for 17.4%.

The fastest growth was demonstrated by credit cards: over the year, their number increased by 8.8%, whereas the growth rate of the number of debit cards was only 4.0%. However, such factors as the saturation of the market and a turbulent economic situation led to a slowdown in the growth of payment cards number. Relative to 2013, the growth in debit cards decreased 2.8 times, and in credit cards – 3.4 times. The latter indicator

Chart II.14. Number of debit and credit cards issued by Russian credit institutions, millions (end of year)



was significantly influenced by a slowdown in consumer lending growth (it dropped almost three times in annual terms, down to 8.9%)²⁸. On the one side, consumers were more cautious in respect of loans, on the other side, the high level of banks' requirements to the creditworthiness of potential borrowers played its role as well.

The slowdown in the growth in credit cards' number was observed across all federal districts, the highest was registered in the Southern and Siberian Federal Districts (8.3 and 8.7 times

Chart II.15. Growth rates in retail trade turnover, real disposable income and the number of credit cards, as % of corresponding period of previous year

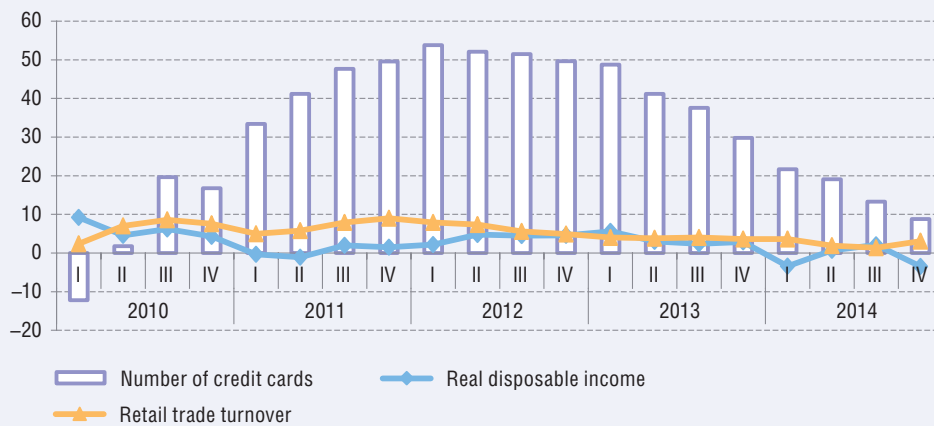
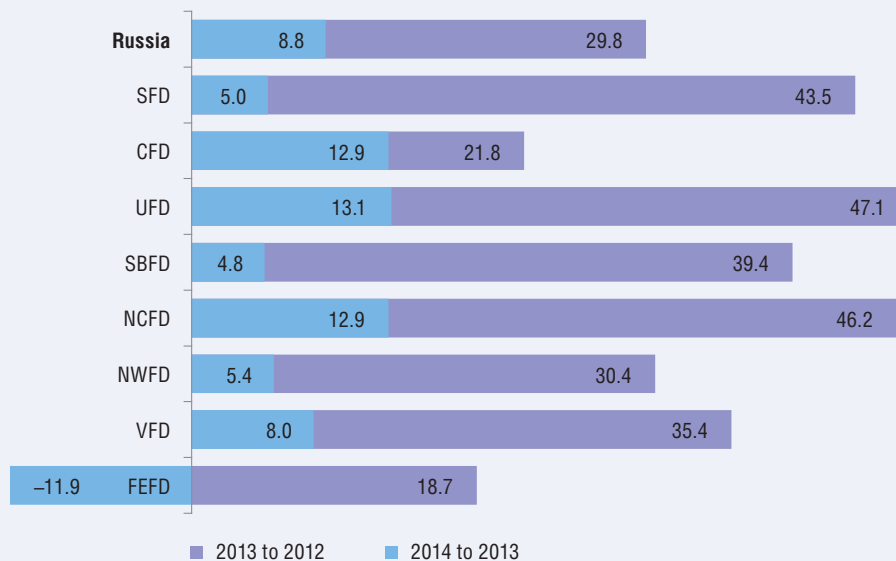
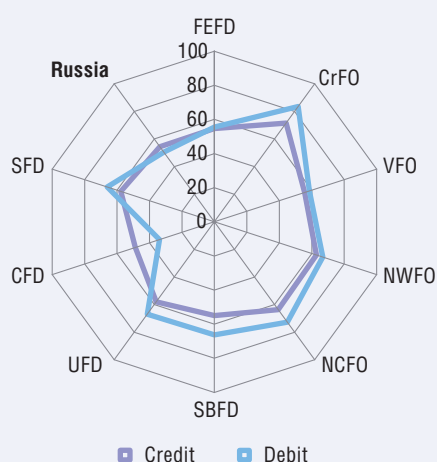


Chart II.16. Growth rate in the number of credit cards, by federal district, %



²⁸ See: Banking Supervision Report 2014.

Chart II.17. Share of active cards in the total number of issued cards in 2014, %



respectively). The highest growth rates in the number of credit cards, like in the previous year, were in the Urals Federal District (13.1%). In the Far Eastern Federal District the demand for credit cards fell by 11.9% compared to 2013.

One of the indicators characterising the real demand for payment cards is the share of active²⁹ cards in the total number of issued payment cards. During several past years, the value of this indicator has stayed at 53%. It should be noted, that its highest value was registered in the Crimea and North Caucasus Federal Districts (71.5 and 64.6% respectively), and the lowest – in the Central Federal District (46.2%).

Box 5. Bank cards: ‘to have’ does not always mean ‘to use’¹

According to the findings of the survey conducted by the NAFS in February 2015, the overwhelming majority of Russians (73%) have a bank card, and about a third of them have two or more cards. A quarter of Russians do not have any cards (24%): mostly these are people with vocational secondary or lower education, as well as young people under 24 years and people over 45 years.

Respondents reporting the possession of more than one bank card were asked how many cards they normally carry with them and use regularly. According to the survey, more than a half of those surveyed carry at least one card, and another 19% – two cards. At the same time, every fifth owner does not use any of his/her available bank cards (21%).

57% of respondents reported on the regular use of one card, and up to 20% of respondents – on the use of a larger number of cards. The share of the latter was the highest among the most educated Russians aged from 25 to 44 years.

When choosing a card to pay for purchases Russians more often prefer to use the card on which they have more money (24%). A card that allows piling up bonuses or a card with a cash-back function is more often chosen by respondents aged between 25 and 44 years (15%; average for the sample – 11%).

¹ The initiative all-Russia survey was held by the NAFS in February 2015. 1,600 respondents were interviewed at 140 settlements in 42 regions of Russia.

During 2014, effectiveness of their use was growing. Against the backdrop of a slight increase in the number of payment cards (by 4.7%) during the year, the transactions involving their use, effected in the territory of Russia and abroad, grew by 30.6% in volume (to 10.1 billion) and by 22.0% in value (to 36.1 trillion rubles). Daily there were 27.7 million transfers worth 99.0 billion rubles on average.

²⁹ Here and below, ‘active cards’ are those used in at least one operation related to cash withdrawal and (or) payment for goods and services, including customs payments, during the reporting period.

The overwhelming majority of transactions using payment cards were traditionally the transactions made in the infrastructure of the credit institution by which they were issued (hereinafter, on-us transactions)³⁰. When performing cash withdrawal operations, in 91 out of 100 cases payment card holders effected on-us transactions and only in 9 cases the indicated transactions were carried out in the infrastructure of other credit institutions. In the cost structure, the share of such operations stood at 93.1 and 6.9% respectively. When paying for goods and services in POSs, or through ATMs, the on-us transactions accounted for 58.3 and 45.9% of the total volume and value of transactions.

The growing popularity of payment cards as a means of non-cash payments is evidenced by the fact that every year the share of non-cash transactions using payment cards is increasing³¹ both in the overall non-bank operations, and in general indicators, describing card transactions. Compared with 2009, when out of 100 payments made by funds transfer operators – credit institutions only 21 were made using payment cards, in 2014 this indicator grew 2.6 times to 54 payments. The share of non-cash payments using payment cards in the total volume of payments by non-banks also increased from 1.6% in 2013 to 2.0% in 2014. In the course of the last several years, non-cash transactions using payment cards grew faster than some other payment instruments. As compared to 2013, their volume and value increased 1.5 times, while the respective growth rates for credit transfers made only 0.2 and 16.9%.

In the total volume and value of payment card-based transactions, the share of non-cash payments increased in 2014 by 8.2 percentage points and reached 67.4%, their value increased by almost 6 percentage points to 33.4%. Most of them fell on payments for goods and services – 93.5 and 59.5% respectively. In 2014, payment card holders effected daily 17.4 million of such payments worth 19.7 billion rubles, which was 1.5 times more in volume and 1.4 times more in value than the same indicators in 2013. The growth rate of non-cash transactions using payment cards also significantly (10.9 times in volume and 4.0 times in value) exceeded the rate of growth of cash withdrawal card-based operations. This situation was also typical of all the federal districts. In 2014, card-holders of the Urals, Northwestern, Siberian and Volga Federal Districts, as compared with residents in other federal districts used payment cards for non-cash transactions significantly more frequently than for cash withdrawals. In these federal districts the rates of growth in the volume of non-

³⁰ When making on-us transactions there is no data interchange between credit institutions – issuers and acquirers of payment cards through the payment system.

³¹ Include payments for goods and services, customs payments and other operations (here and below other operations involve funds transfers from one bank account to another, charity contributions, etc.).

Chart II.18. Growth rates of transactions using payment cards issued by Russian credit institutions, by federal district (2014 vs 2013), %

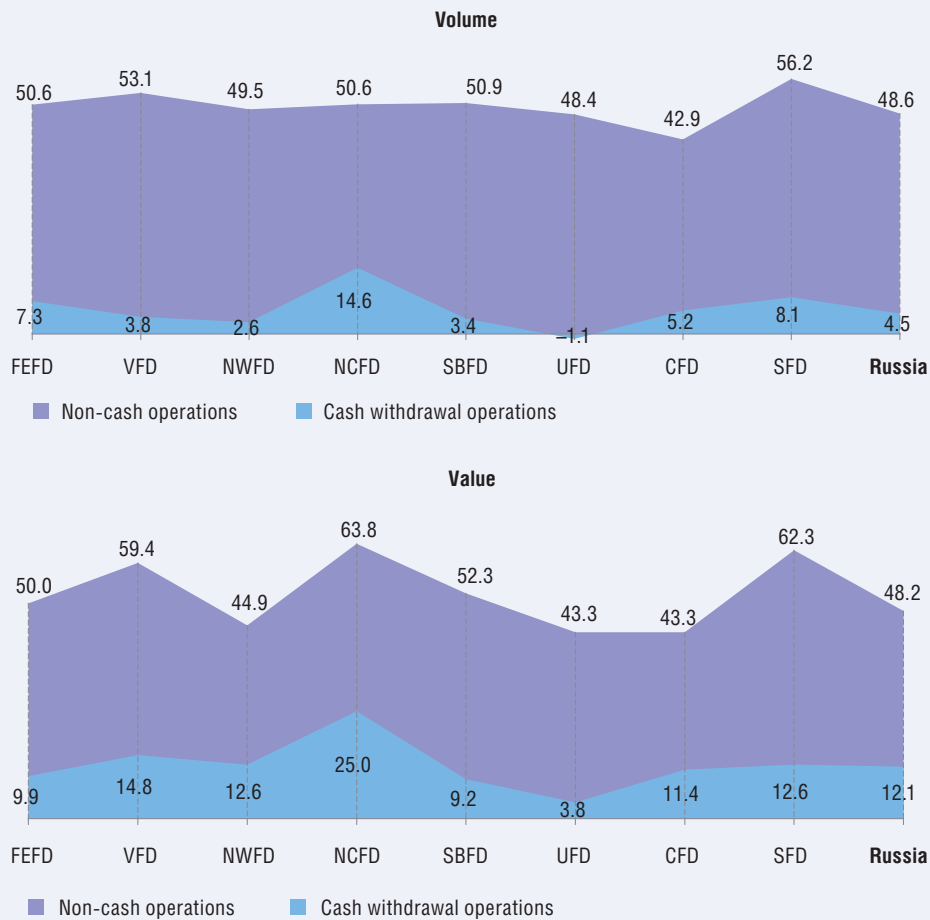
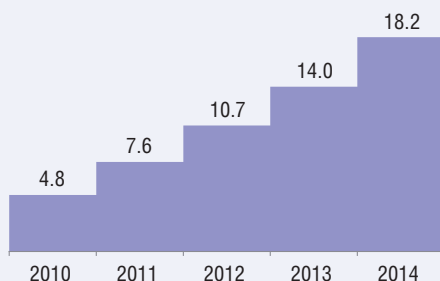


Chart II.19. Share of payments for goods and services using cards issued by Russian credit institutions in the total turnover of the retail trade, public catering and paid services to the population, %



cash transactions exceeded the same indicator for cash withdrawal 45.2, 18.9, 15.0 and 14.1 times respectively.

The high demand for payment cards as an instrument of non-cash payments is evidenced by the fact that since 2010 the share of payments for goods and services, effected in the territory of Russia with the use of payment cards issued by Russian credit institutions in the total turnover of the retail trade, paid services to the population and catering enterprises was growing annually by an average of 3.3 percentage points. Over five years, this indicator increased almost fourfold and stood at 18.2% in 2014.

Every year, households demonstrate growing demand for a credit institutions service of transferring funds from one bank account to another, including for charitable purposes. This is evidenced by the persisting tendency to the fast growth of such transfers as compared with other payment card-based transactions. As compared to 2013, the volume and value of funds transfers from one bank account to another, including the transfers for charitable purposes, increased 1.7 times and amounted to, respectively, 6.5 and 35.8% of the total volume and value

Chart II.20. Operations using payment cards issued by Russian credit institutions in 2010–2014

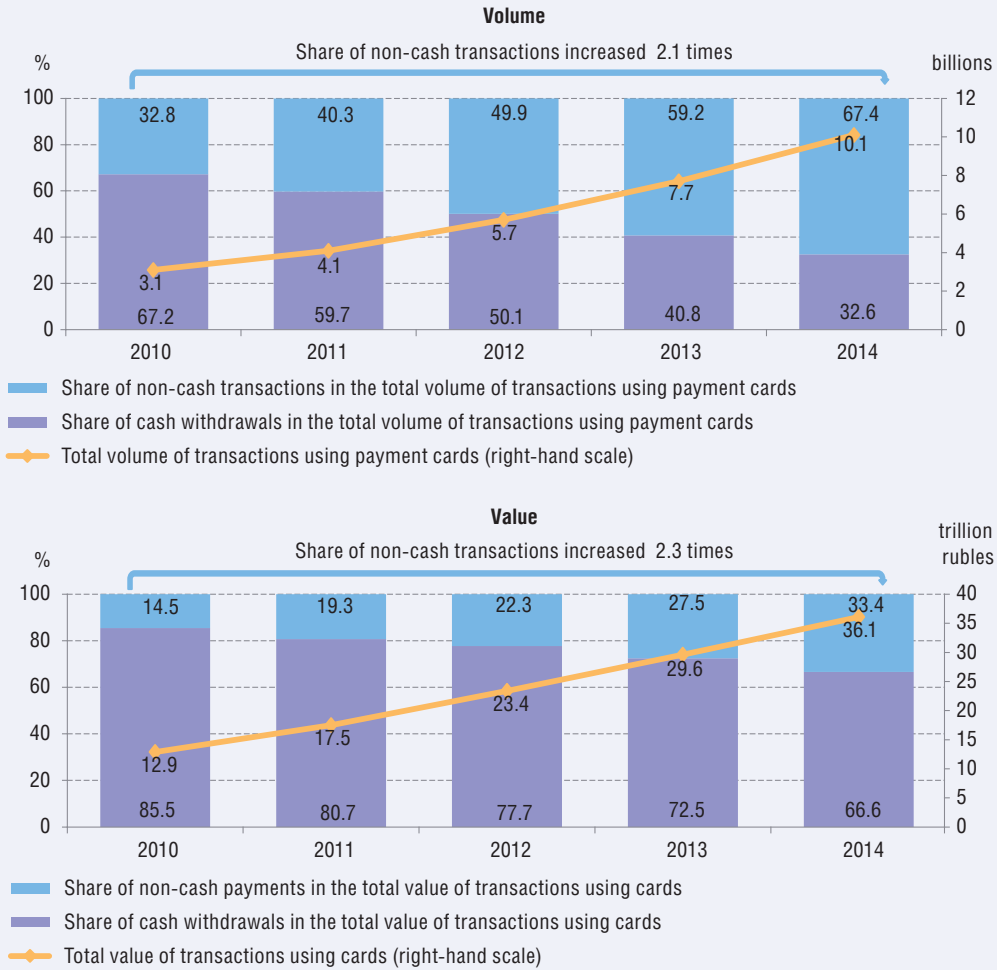
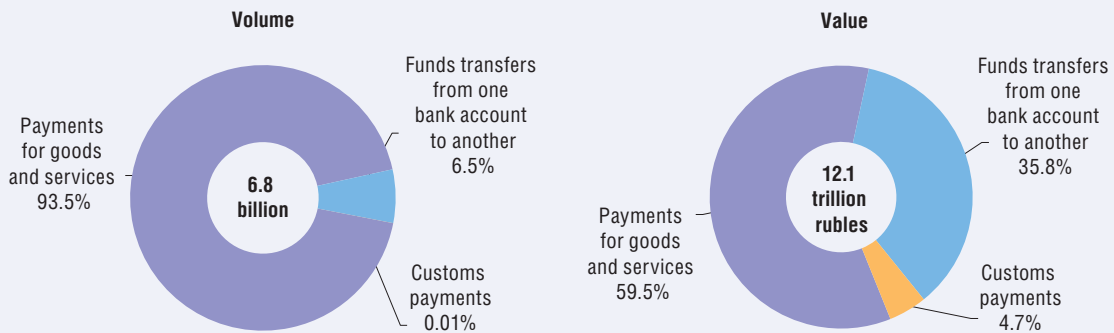


Chart II.21. Structure of non-cash transactions using cards issued by Russian credit institutions in 2014



of non-cash transactions using payment cards. Customs payments using payment cards accounted for slightly over 0.01% of the total volume and 4.7% of the total value of effected payment card-based transactions.

Box 6. MasterCard study: more and more Russians to pay for purchases with bank cards¹

In 2013, the MasterCard payment system and MasterCard company conducted a study in which they determined the popularity of different ways of payment for purchases among Russians, and specific features of the consumer behaviour of card-holders. The survey involved residents of Russian cities with a population over 250 thousand people.

Bank cards: prevalence, types, usage frequency

Among card-holders the largest share (85%) belongs to holders of payroll cards (their share remained stable compared to 2010). Within the three-year period, growth was registered for the number of holders of debit cards issued on the customer's initiative: from 12 to 21%. Nearly a third of respondents (29%) have credit cards, while in 2010 the holders of such cards made 18%. 11% of respondents have social cards (this figure has remained virtually unchanged).

As noted by 43% of card-holders, in 2013, they were using the non-cash method of payment more frequently. The number of respondents who use their cards only for cash withdrawals at ATMs declined over the years of research from 56 to 25%.

The share of active users of bank cards (paying with a card once a week or more frequently) doubled over the three years and reached 41%. Of these, 7% of the holders pay with cards every day, 22% – several times a week and 12% – once a week. Less frequently than once a week card-based payments are effected by 34% of card-holders.

Respondents described the factors that encourage them to pay with cards for purchases more frequently: almost two-thirds (64%) of respondents noted the convenience. Other reasons for more often payments with cards: safety (no need to carry cash), the opportunity to get a discount or a bonus and availability of an extensive card-accepting network – were noted by 56, 55 and 52% of card-holders respectively. The overwhelming majority (88%) of the card-holders pay with them in supermarkets and hypermarkets.

Having become a habitual means of payment in large department stores in Russia, non-cash payment is gaining popularity in small convenience stores (in such stores in 2013, 39% of respondents paid for purchases with bank cards, whereas in 2010 – 17%).

Every second respondent paid with a card in shops of clothing and footwear (59%) or at electronics stores and stores of household appliances (51%). The average purchase price for the payment of which the card-holder would rather use his/her card, than cash, goes down. In 2013, this figure amounted to 1,677 rubles (1,117 rubles among active users), which is significantly less than in 2010 (3,109 rubles for all the respondents and 2,007 rubles for active users).

What hampers card payments

Card-holders who use them exclusively for cash withdrawals, have called the factors that prevent them from paying with cards. For the majority of this group (82%), the main reason preventing them from using cards is their habit to use cash. More than a half (52%) indicated that they find it difficult to control their spending, when paying with a card. At the same time, 34% said they dislike giving their card to the cashier or waiter, for fear of fraud.

In the previous years, one of the factors that respondents mentioned most often was the uncertainty about the acceptance of payment cards by the outlets where they usually shop (in 2011, this answer was chosen by 32% of respondents). In 2013, this factor left the top most popular factors (22% of respondents).

Spread and use of cards in Russian federal districts

The study found some specific features of federal districts of Russia in the spread of cards and their use by the respondents.

The Northwestern Federal District is leading in the number of adherents of non-cash payments: 19% of respondents from this district prefer to pay for purchased products and services with payment cards (8% on average in Russia). Among the card-holders in the district, the number of those who use the card for cash withdrawal only is the lowest as compared to the rest of the districts (11%, average for Russia is 25%). A significant number (83%) of card users in the Northwestern District said they were satisfied with the wide acceptance network in Russia, which encouraged them to pay with the card more often.

In the Central Federal District (excluding Moscow, which was seen as a separate stratum), the share of card-holders is significantly below the average (only 60% of respondents in the Central Region have a bank card, while the average for Russia is 81%). Interestingly, among the card-holders in this district there are by far more users, who make non-cash payments every day (14%, average for Russia is 7%).

In the Southern Federal District, the number of those who pay for purchases only in the non-cash way is the smallest, i.e. only 2% of the respondents. This figure is 8% on average for Russia.

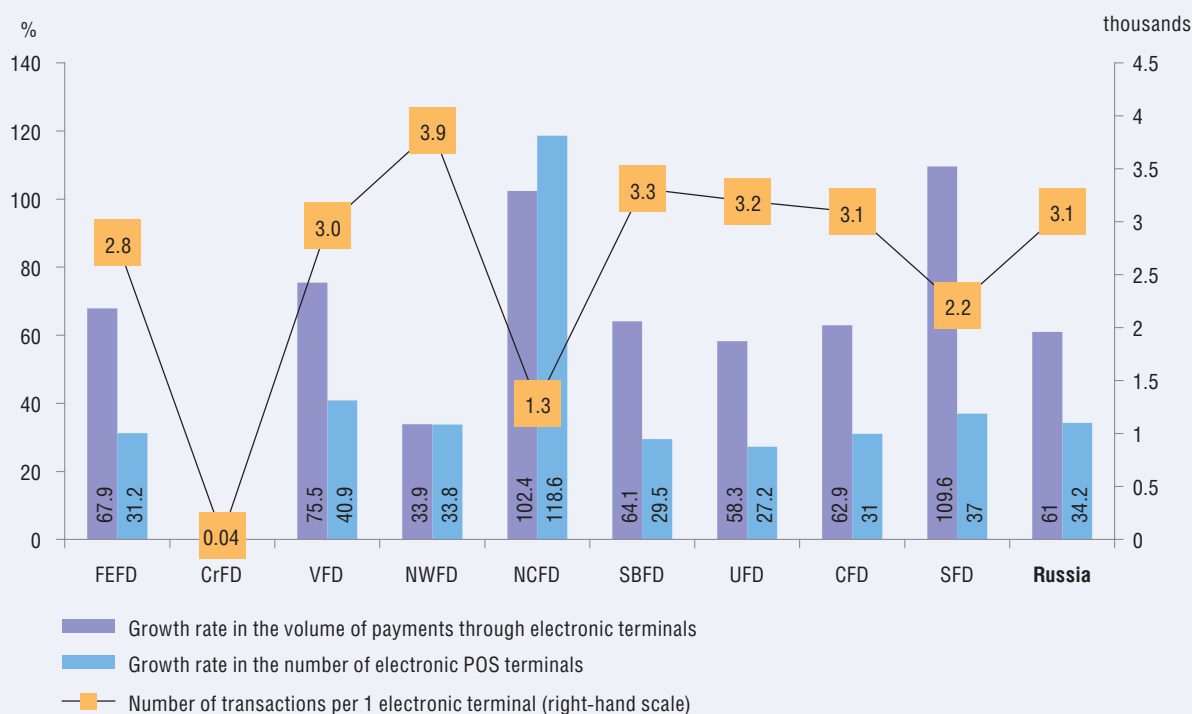
In the Far Eastern Federal District, the share of card-holders who use their cards only for cash withdrawals is still high (48%, whereas the average for Russia is 25%).

The Urals and Far Eastern Federal Districts gave the largest number of respondents, who said that in 2013 they paid with cards more often than in the previous years (57 and 62% respectively; the average for Russia is 43%).

In the Siberian Federal District, nearly a half (47%) of card-holders paid with their cards at least once a week (for comparison: Russia's average for such users is 34%).

¹ The MasterIndex study was carried out in Russia by MASMI commissioned by the LLC MasterCard in October 2013.

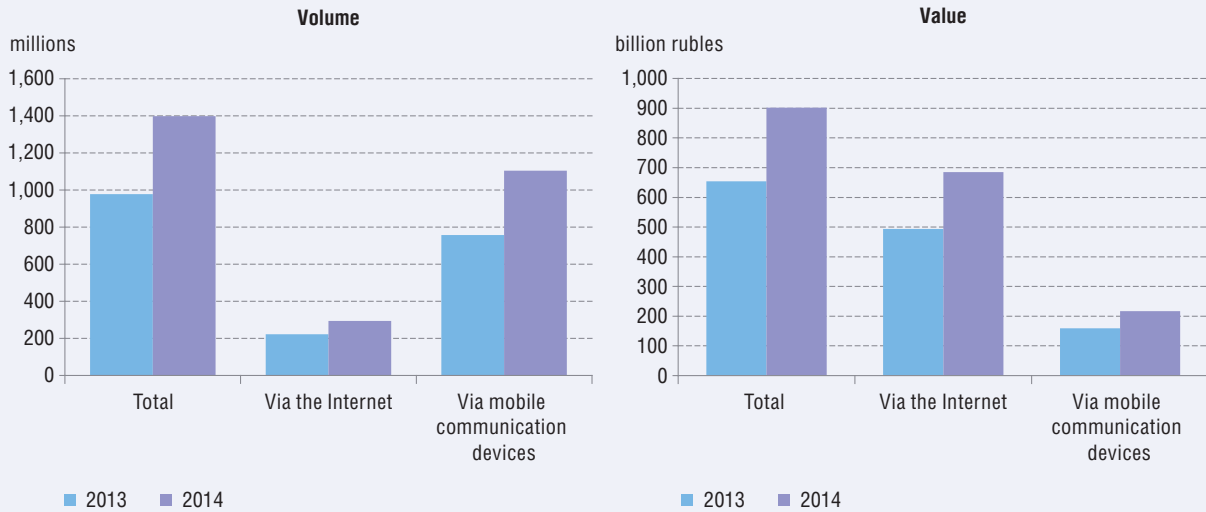
The trend towards expanding the scope of applying payment cards as non-cash means of payment was characteristic of all the federal districts. In six out of the nine federal districts the share of non-cash payments in the total volume of transactions using cards increased by more than 8 percentage points. This is largely due to a significant increase in payments for goods and services made through electronic POS terminals in the Russian Federation. In most federal districts, the value of this indicator exceeds the nationwide figure (growth 1.6 times). The largest increase in the volume of such payments was observed in the Southern and North Caucasus Federal Districts (2.1 and 2.0 times), and the smallest – in the Northwestern Federal District (1.3 times). It should be noted that by the indicator characterising the volume of payments per one electronic terminal, the Northwestern Federal District (3.9 thousand operations), as in previous years, significantly outpaced other regions. Between this district and the outsider (the North Caucasus Federal District), in which 1.3 thousand payments were effected per one electronic POS terminal, a threefold gap was recorded. In 2014, a positive trend evolved towards a reduction in the backlog of other federal districts from the leader, primarily due to the development of the payment infrastructure.

Chart II.22. Number of payments per one electronic POS terminal in 2014, by federal district

The share of non-cash payments made through ATMs in the total volume of non-cash payments using payment cards remained fairly high. During the year, the volume and value of payments made through ATMs increased by 21.2 и 15.4% respectively, there were effected 1.8 billion operations worth 689.5 billion rubles. 4.9 million operations worth 1.9 billion rubles were made daily. The most significant share in 2014 was still made by payments effected in the Central Federal District (61.9% in volume and 44.4% in value). Of these, the majority operations were conducted in the Moscow Region. On average, 1 ATM in the Central Federal District accounted for 30.3 thousand operations to the amount of 8.4 million rubles a year. In other federal districts these figures were significantly lower and ranged from 4.3 thousand operations worth 2.0 million rubles in the North Caucasus Federal District to 8.6 thousand operations worth 4.6 million rubles in the Volga Federal District.

As in previous years, payment card-holders used the Internet and mobile communication devices extensively when making payments. In 2014, they handled 1.4 million transfers worth 901.4 billion rubles (annual increase of 42.8 and 37.9% respectively). The average amount of a transfer was 645 rubles, which was much less compared to payments made via POS terminals (1,263 rubles), but higher than the average amount of payments effected via ATMs (385 rubles).

High growth rates were typical for payments made via the Internet (33.0% in volume and 38.6% in value), and mobile

Chart II.23. Non-cash transactions made via the Internet and mobile communication devices in 2013-2014

communication devices (45.7 and 35.6% respectively). As in 2013, the holders of payment cards made payments using mobile communication devices almost four times more often, whereas the average amount of such transactions was 12 times less than the average amount of an Internet payment.

Operations performed outside Russia with the use of payment cards issued by Russian credit institutions

In 2014, Russians traveling abroad made 349.6 million transactions worth 1.1 trillion rubles (growth by 36.0 and 14.1% respectively), which is an insignificant share of the operations performed by holders of payment cards issued by Russian credit institutions (slightly above 3%). Traditionally, Russian citizens prefer to use payment cards abroad for the payment of goods and services. The number of such operations during the year increased 1.4 times, and the value – 1.2 times, while the number of cash withdrawals decreased by about 6% and the value increased by only 5.8%. The ratio of non-cash transactions and cash withdrawals as compared with 2013 changed insignificantly. In 2014, non-cash transactions accounted for 92.6%, and cash withdrawals – for 7.4% of the total volume of transactions, and 77.9% versus 22.1% by value. The average amount of cash withdrawals was 9.6 thousand rubles, which was 3.5 times more than the indicator for non-cash transactions.

Operations with payment cards issued outside of Russia

Foreigners actively used payment cards in Russia. In 2014, while in Russia, they made daily on average 212.3 thousand operations to the amount of 735.8 million rubles, which is 20.7% more in volume and 8.4% more in value than a year earlier. The highest growth rate was recorded in the Southern Federal

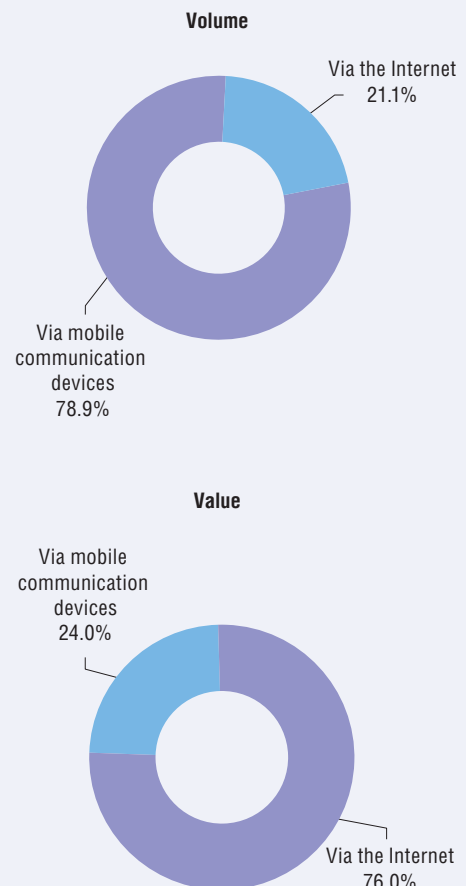
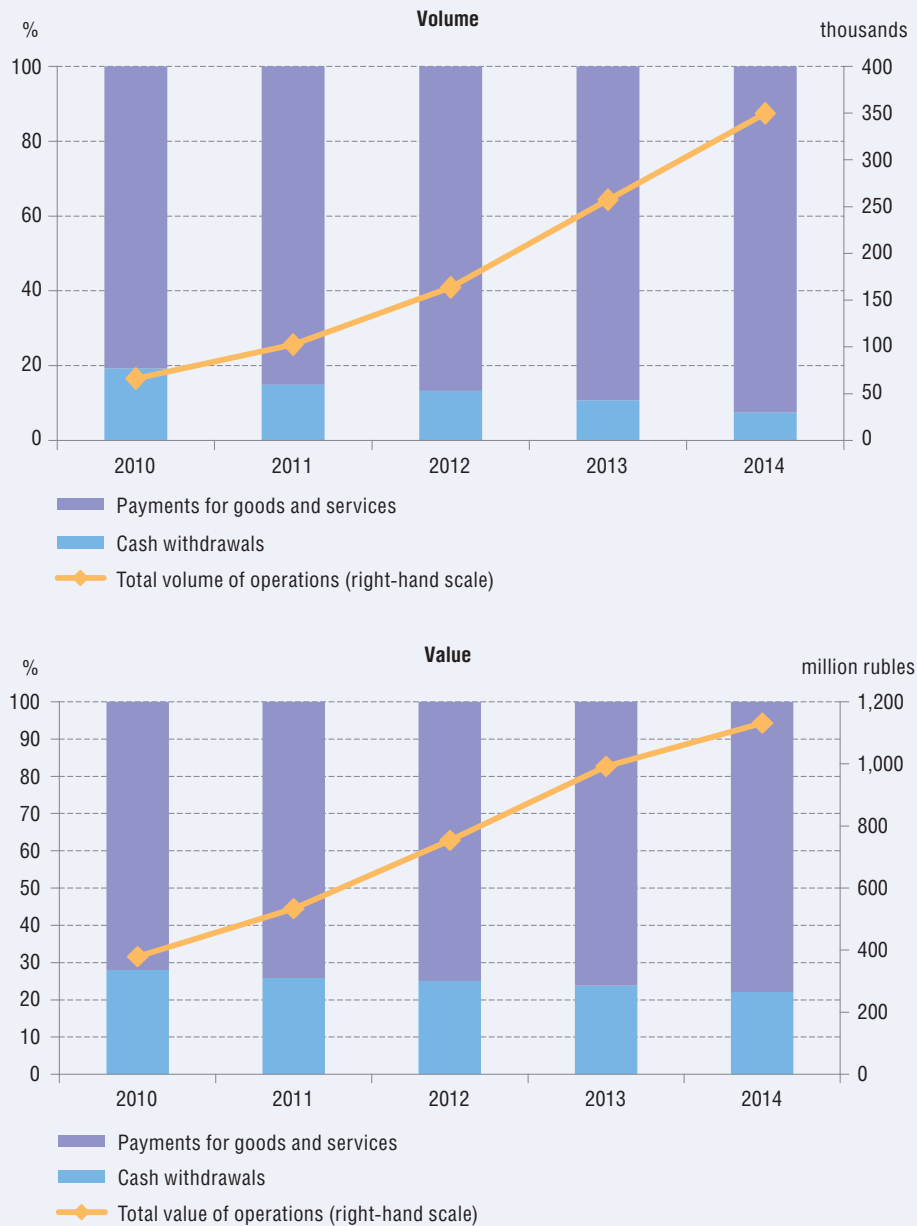
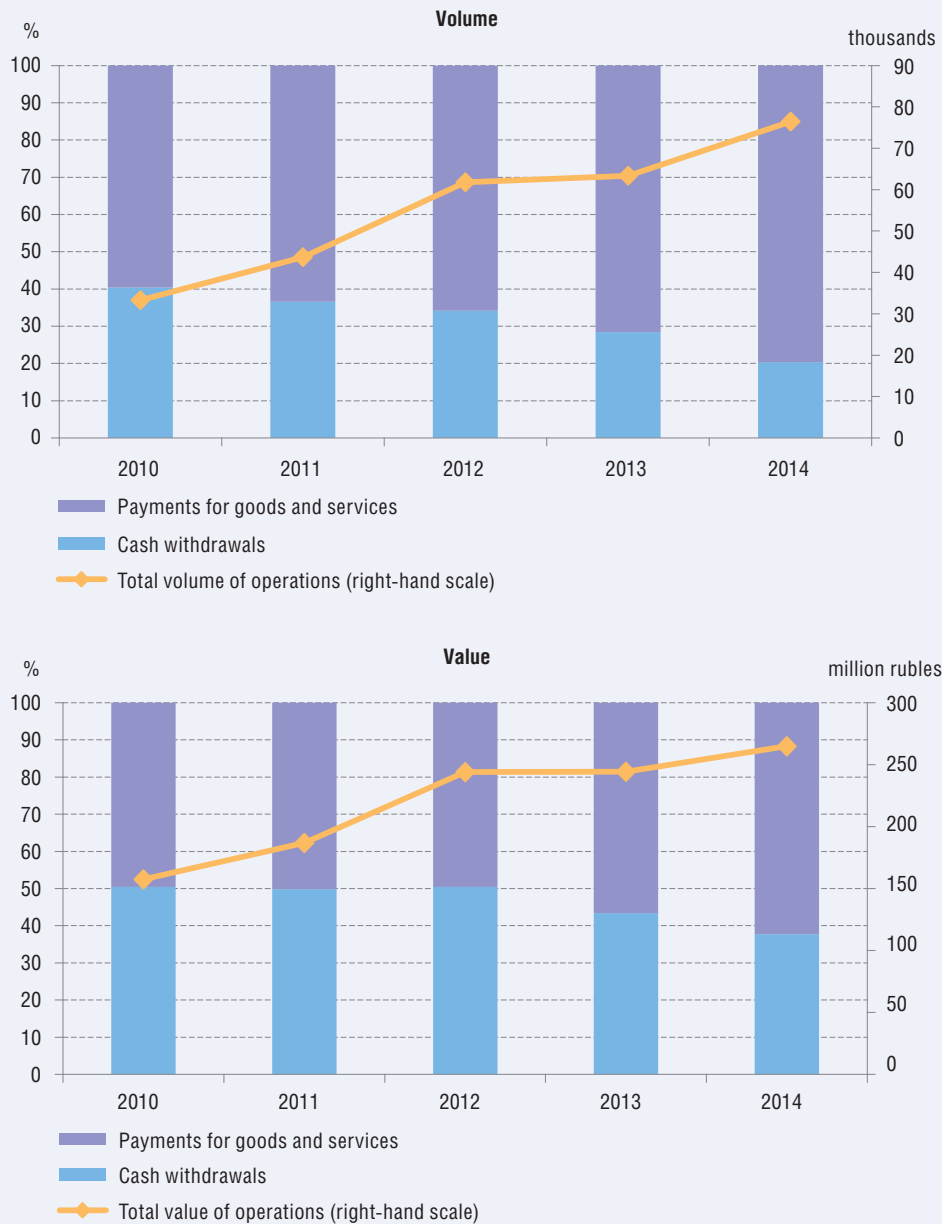
Chart II.24. Structure of payments made via the Internet and mobile communication devices in 2014

Chart II.25. Transactions outside Russia made by holders of payment cards issued by Russian credit institutions in 2010–2014

District (1.5 times in volume and 1.3 times in value), which was mainly due to the holding in 2014 of the XXII Olympic Games in the Krasnodar Territory, which accounted for about half of all the transactions made in this federal district. About 70% of the total volume and value of payment card-based transactions were made by foreign citizens in the Central and Northwestern Federal Districts, which include the largest cities of Russia – Moscow and St. Petersburg. In 2014, the total annual growth rate of such operations in both the capitals amounted to 16.6% in volume and 8.4% in value. Year-by-year, the Republic of Tatarstan is gaining more appeal for foreign tourists as a region of Russia. Its capital, the city of Kazan, in recent years has

Chart II.26. Payment card-based transactions by foreign tourists in Russia

hosted a lot of international sports events. The volume and value of transactions made in the region, using the cards issued by non-resident banks, increased during the year 1.8 and 1.3 times respectively, and in the total volume and value of transactions made in the Volga Federal District they amounted to 26.7 and 21.7% respectively.

In the structure of transactions using cards issued outside of Russia, non-cash transactions dominated. In 2014, 80 out of 100 transactions were made to pay for goods and services, and 20 – to withdraw cash (in 2013, 72 and 28 transactions respectively). In six of the nine federal districts, the share of

non-cash transactions in the total volume of transactions made by non-resident card-holders exceeded 70%.

The value of non-cash transactions made in Russia by foreign tourists amounted to 62.2%, which is 1.6 times more than the same indicator for cash withdrawals. However, it should be noted that in all the federal districts except for the Central one, the share of cash withdrawals in the total value of transactions made using payment cards issued outside of Russia exceeded the nationwide indicator (37.8%).

Credit institutions infrastructure for payment cards acceptance

A key role in the development of the payment cards market is played by the cards accepting infrastructure. During the year, the number of devices accepting payment cards (ATMs, electronic terminals, electronic remote access terminals, and imprinters) increased by 28.0% and totaled 1.7 million by early 2015. The number of devices enabling the conduct of payment card-based non-cash transactions increased by 30.5% and of those intended for cash withdrawal – by 5.1%.

The infrastructure accepting payment cards developed dynamically in trade and service organisations. During 2014, the number of POS terminals installed there rose by 34.2% to 1.3 million. The highest value of this indicator was observed in the North Caucasus Federal District (2.2 times), in other federal districts the rates of growth in the number of these devices ranged from 27.2% in the Urals Federal District to 40.9% in the Volga Federal District.

The development of the ATM network of credit institutions was not as dynamic. However, during the year, the number of ATMs increased by almost 18%, which is 1.8 times higher than a year ago, and by end-2014 they amounted to 222.8 thousand. In recent years, the priority direction in the development of credit institutions' ATM network was not the increase in the number of ATMs but the upgrading of their software, expanding of their functionality, as well as their optimal placement (installation in locations with the highest demand). This is confirmed by the findings of the survey held by the editorial board of the journal 'PLUS'³². To the question, 'What kind of business functionality would you like to implement in your ATM network?', 30.3% of the respondents pointed to the possibility of making housing and utility payments and payments for mobile communication, 21.2% of respondents – to the presence of functions of receiving cash, 18.2% – to the possibility of placing advertisements and making personalised offers to customers, and 12.1% – to the possibility of making funds transfers from card to card.

More than 35% of respondents would like ATMs to feature such a technological function as the support of contactless

³² PLUS. 2014. No. 11 (210).

cards, about 30% – the presence of the biometric identification of customers, nearly 13% – the presence of a touch screen and the Multitouch technology, and 6.7% – the function of effecting transactions initiated with mobile phones. 6.5% of respondents would like ATMs to provide for the teller's remote assistance (video conferencing), 6.5% – the possibility of an operative return of a seized card through the ATM.

Box 7. Three innovations: biometric identification, follow-up service and the use of smartphones¹

ATMs have changed significantly since their first appearance in the market a few decades ago, boasting today of customer services based on new technologies. Despite the fact that many of these technologies are attractive for both banks and bank customers, some of them will never become widespread or will become such only after a long period of time.

The biometric identification – the use of digitised fingerprints or retinal scans to identify the customer during cash withdrawal operations effected through an ATM – has already become a reality. In emerging economies, such as India, Mexico or on the African continent, the biometric identification can significantly expand the coverage with banking services across the population segments that do not have traditional 'card' identification methods. The Reserve Bank of India (RBI), for example, is preparing a law requiring all ATMs to be equipped with the function of biometric identification to authenticate customers. Poland has recently become the first country in Europe to have installed ATMs with the biometric identification. Customers can now withdraw cash from bank accounts, using as an identification tool their fingerprints and personal identification numbers (PIN).

Although the potential of biometric identification at ATMs has become quite popular, it is yet unclear whether they will become widespread. A survey conducted in 2012 showed that 35% of the banks considered the development of the biometric identification as the main direction of the ATMs modernisation. However, by 2013, their share reduced considerably. Defenders of privacy and individual customer groups have expressed concern that banks get access to such sensitive biometric information for identification, as fingerprints. Nor can it be ruled out that the reluctance of Russians to provide personal identification information to banks and other commercial organisations will increase significantly in the era of biometric identification. With such a careful approach to the issues of privacy, prospects for the use of biometric identification (palm prints or fingerprints, facial recognition or retinal scan) need to be assessed for each country separately. The introduction of the biometric identification is associated with other difficulties, such as lack of standards for credit institutions' interaction.

Follow-up service

Some banks, including the Bank of America in the United States, are already beginning to install ATMs with the video conferencing feature that allows a customer-user to consult a banking expert in the course of making a transaction. Interaction of 'face-to-screen' allows you to perform operations that cannot be effected through a regular ATM machine, for example the feeding-in of banknotes of a wider range of denominations. The problems encountered in the implementation of video conferencing are related to the fact that for all ATMs installed outside bank branches, as well as for some ATMs inside bank branches such communication format will not be fully confidential, which may scare off customers.

The use of smartphones for cash withdrawals

The wide use of smartphones around the world, including their use for effecting mobile payments, inevitably leads many banks to thinking about the way to link smartphones with ATMs. The first polls

showed that banks were more inclined to use the biometric identification than to introduce smartphones. But the integration of the mobile channel with the channel of ATM networks has become a priority in recent years. Banks have realised the smartphones' potential for ousting quite a few operations from bank branches (which significantly reduces the overhead expenses) and the potential of the integration of Internet banking and ATM transactions. Moreover, the growth of the 'mobile wallet' applications made the transactions effected through ATMs using smartphones a really revolutionary direction. It is noteworthy, that there already exist ATMs enabling cash withdrawals without using a bank card – by scanning the QR-code with your smartphone.

¹ Povarov A. Cash planning: how to increase the profitability of ATM business in crisis. PLUS. 2014. No. 12 (211).

Along with broadening the functionality of ATMs, another important direction of the credit institutions' ATM network development is the creation of a consolidated infrastructure of retail services at concerned credit institutions, which is accessible for all their customers on uniform financial terms.

The retail payment infrastructure integration gives rise to the following positive effects:

- a more ramified and accessible payment service network;
- reduction in credit institutions' costs on the acquisition and maintenance of ATMs, and service maintenance of the infrastructure for payment cards accepting;
- extension of the list of payment services provided, as well as installing conditions for its standardisation in the framework of a unified retail payment infrastructure;
- within an integrated retail payment infrastructure, the establishment of a single commission fee charged to the credit card-holder in the amount which is usually lower than in similar operations in the infrastructure of certain banks.

The agreement on the joint use of ATM networks owned by credit institutions promotes more efficient use of investment resources, which in turn influences the reduction of the banking services' costs and increases their availability to consumers.

Concentration in the market of payment cards

In 2014, significant changes in the institutional structure of the banking system (reduction in the number of credit institutions as a result of the revocation or cancellation of banking licences, merger with other credit institutions) preserved the upward tendency in the indicators characterising the level of concentration in the payment cards market. Compared with 2013, the share of five top credit institutions by capital size increased to 59.6% (1.3 times) in terms of the number of cards issued, the volume and value of operations with their use went up to 78.9% (1.2 times) and up to 72.9% (1.3 times) respectively. On average, a credit institution belonging to this group issued 26.8 million cards annually, which were used for making

1.6 billion transactions to the amount of 5.2 trillion rubles. This is substantially higher than similar indicators for credit institutions belonging to the group of organisations with the smallest size of capital. Within the first group, the gap between the leading credit institution and the outsider, although it remained large enough, dropped significantly in 2014. The share of the leader decreased both by the number of issued cards (from 93.7 to 76.0%) and in the volume (from 95.8 to 86.1%) and value (from 93.8 to 79.7%) of operations using them. This was due to the fact that in 2014, the first group was joined by two banks from the top-five largest issuers of payment cards.

By the number of issued payment cards, the share of credit institutions of the second group shrank most notably – from 30.3% in 2013 to 19.8% in 2014. Their share in the total volume and value of transactions amounted to 8.6 and 11.0% respectively (in 2013, 17.9 and 23.8%). However, it should be noted that five credit institutions from this group belong in the top-ten largest credit institutions – payment card issuers.

Table II.2. Number of payment cards and transactions using them in 2014, by group of credit institutions

Payment cards		Distribution of credit institutions ranked by size of equity capital									
		Top 5		From 6 th to 20 th		From 21 st to 50 th		From 51 st to 200 th		From 201 st	
		2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Share, %	Number of payment cards	45.6	59.6	30.3	19.8	10.8	9.7	10.4	8.3	2.9	2.6
	Volume of transactions	65.9	78.9	17.9	8.6	6.7	5.1	7.3	5.9	2.2	1.5
	Value of transactions	57.3	72.9	23.8	11	8.3	7.2	7.8	7	2.8	1.9
Average indicator per credit institution	Number of payment cards, thousands	19,785.10	26,804.80	4,390.30	3,179.10	841.3	781.2	185.9	154.8	13.4	14
	Volume of transactions, millions	1,002.20	1,584.60	90.9	61.8	18.1	18.3	4.6	4.9	0.4	0.4
	Value of transactions, billion rubles	3,320.60	5,218.80	459.4	280.9	86	92.3	18.7	20.6	1.8	1.6

By the number of devices that accept payment cards, and the number of transactions made with their use at the credit institutions, the level of concentration also remained high. In 2013, the five top credit institutions (by capital size) accounted for 61.3% of the entire payment card accepting infrastructure. Whereas 77.7% of the total volume and 72.0% of the total value of transactions made in the territory of Russia by the holders of payment cards issued by Russian banks and non-resident banks were generated by credit institutions belonging to the first group.

Table II.3. Card accepting infrastructure, by group of credit institutions

Card accepting devices		Distribution of credit institutions ranked by size of equity capital									
		Top 5		From 6 th to 20 th		From 21 st to 50 th		From 51 st to 200 th		From 201 st	
		2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Share, %	Number of devices	53.2	61.3	25.0	18.3	9.9	8.3	8.2	6.7	3.6	5.4
	Volume of transactions	69.8	77.7	16.2	11.5	6.0	3.6	5.9	5.6	2.1	1.6
	Value of transactions	58.3	72.0	24.1	14.1	7.6	5.3	7.4	6.6	2.6	2.0
Average indicator per credit institution	Number of devices, thousands	141.3	207.4	22.2	22.2	5.1	5.2	0.9	1.0	0.1	0.2
	Volume, millions	1,001.7	1,455.0	77.6	77.2	16.4	12.5	3.7	4.6	0.3	0.4
	Value, billion rubles	2,941.6	4,318.7	404.6	300.8	73.3	58.4	16.1	17.2	1.5	1.5

Box 8. Changes in card business terms in Europe¹

On 24 July 2013, the European Commission adopted a draft act on interchange fees for card-based payment transactions, which was approved by the European Council and the European Parliament².

The regulation includes two main areas.

1. Setting limits on the size of interchange:

- 0.2% debit card cap;
- 0.3% credit card cap.

The limits are in force and are applied to cross-border card payment systems as well as to domestic card payment systems since 2015.

2. Establishment of the general provisions for all kinds of card transactions and card payment systems:

With regard to additional fee charged to the payment card-holder per transaction

In future, additional fees will be prohibited for all card payment systems covered by the regulation, in all the countries of the European Union. With regard to payments of other card payment systems, in particular the 'three-party schemes' (e.g., American Express, Diners Club), retailers will still be able to claim an additional commission fee from customers;

With regard to organisational distinctions in the operation of payment systems and processing

It is determined that companies engaged in the payment systems activities, and companies providing technical services for card payments should be organisationally separated from each other;

With regard to the 'honour all cards' rule

The application of the honour all cards' rule has been canceled, so that the card payment system can no longer demand that retail outlets accept certain cards, if they accept other brands or types of cards of the same payment system. The exception is the case when the brand and the type of cards have a similar interchange regulation.

New regulatory rules can outlaw the rules of card payment systems. Card-holders will be able to choose the brand which they will use.

¹ Based on materials from the publication of the European Central Bank: https://www.ecb.europa.eu/ecb/legal/date/2014/html/act_12998_amend.en.html.

² Proposal for a regulation of the European Parliament and of the Council 'On interchange fees for card-based payment transactions'. Brussels, 24 July 2013.

II.3.2. Credit transfers

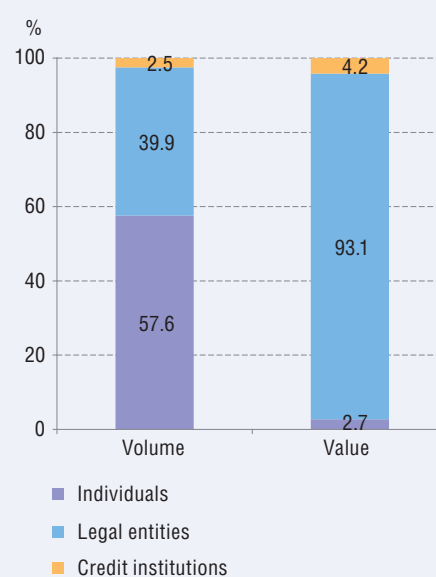
Credit transfers in Russia are among the main payment instruments for non-cash transactions. Their share in the total volume of payment orders received by credit institutions makes 21.2% and in the total value – 96.2%. In 2014, non-banks issued about 2.7 billion instructions for the implementation of credit transfers in Russian rubles and foreign currency to the amount of 584.6 trillion rubles. Their value was 8.2 times higher than GDP. The average size of a payment was 219.3 thousand rubles.

The countries, where credit transfers are most common compared to other payment instruments, include the Netherlands where in 2014, according to international statistics³³, the share of credit transfers in the total value of payments effected in the national currency made 98.1%, Belgium (96.8%), the United Kingdom (96.7%), Switzerland (96.3%), and Mexico (96.1%). In terms of volume, credit transfers were most popular in Switzerland (53.5%), Belgium (39.8%), Brazil (37.4%), Germany (32.9%), the Netherlands (31.7%) and Mexico (31.5%). By the volume of payments, credit transfers were the least popular in Saudi Arabia (0.4%), Singapore (1.0%), Turkey (7.1%), and Canada (9.0%), and by value – in Singapore (21.8%) and Canada (34.8%).

In Russia, the volume of payments made by non-banks through credit institutions in the form of credit transfers remained virtually unchanged compared to the previous year (0.1% increase), while their value increased by 16.9%. To the greatest extent the volume of such payments increased in the Urals Federal District (by 5.4%), and their largest decline was recorded in the Southern Federal District (by 2.2%), as well as in the Moscow Region (by 3.9%).

The increase in the value of credit transfers was observed in all the federal districts except for the Urals, and ranged from 2.3% in the North Caucasus to 23.3% in the Central Federal District (which exceeds almost 1.4 times the all-Russian indicator).

Chart II.27. Structure of credit transfers made by credit institutions in 2014, by entity



³³ The Data of the Statistical Annex to the Red Book of the Bank for International Settlements (www.bis.org/cpmi/publ/d135a.pdf).

Table II.4. Volume of credit transfers, by federal district, millions

Federal district	2010	2011	2012	2013	2014	Dynamics
FEFD	57.1	61.3	66.6	72.0	71.8	
VFD	521.2	507.4	444.9	426.2	432.1	
NWFD	274.6	264.3	265.4	285.6	287.1	
NCFD	27.2	32.9	30.6	43.8	43.7	
SBFD	238.1	240.5	247.3	260.6	263.6	
UFD	195.5	208.7	225.1	245.3	258.5	
CFD	993.6	1,059.0	1,097.4	1,141.4	1,123.2	
The Moscow Region	779.7	844.7	877.8	877.2	842.8	
CFD (without the Moscow Region)	213.9	214.4	219.6	264.2	280.4	
SFD	173.9	153.4	165.0	187.0	182.9	
CrFD	–	–	–	–	2.9	
Russia	2,481.1	2,527.6	2,542.2	2,661.9	2,665.9	

Table II.5. Value of credit transfers, by federal district, billion rubles

Federal district	2010	2011	2012	2013	2014	Dynamics
FEFD	7,648.9	8,598.0	9,286.6	9,996.3	10,373.8	
VFD	34,352.6	39,371.4	44,857.9	46,260.1	49,524.5	
NWFD	28,760.8	31,548.7	37,211.8	40,251.5	42,584.3	
NCFD	2,702.2	2,915.6	2,856.0	2,966.8	3,136.6	
SBFD	18,980.3	22,826.8	23,857.1	24,678.4	25,249.9	
UFD	20,388.9	25,717.6	28,672.6	29,991.2	29,385.5	
CFD	236,922.2	257,437.2	279,556.2	330,691.2	407,745.5	
The Moscow Region	224,025.1	242,565.3	263,950.6	314,984.4	390,167.5	
CFD (without the Moscow Region)	12,897.1	14,871.9	15,605.6	15,706.8	17,578.0	
SFD	10,386.8	12,519.0	14,082.9	15,451.9	16,421.9	
CrFD	–	–	–	–	225.0	
Russia	360,142.5	400,933.7	440,381.0	500,287.4	584,646.9	

More than 40% of the total volume of all credit transfers and about 70% of their value fell on the Central Federal District, of which on the Moscow Region – 31.6 and 66.7% respectively. The share of other federal districts in the use of this payment instrument was significantly lower both in volume – from 0.1% (the Crimea Federal District) to 16.2% (the Volga Federal District), and in value – from 0.04 to 8.5% respectively (for the same two federal districts). Federal districts differed significantly by the per capita volume and value of credit transfers. Whereas a resident in the North Caucasus Federal District in 2014 made, on average, five credit transfers to the amount of 325 thousand rubles, a resident in the Central Federal District accounted for 29 credit transfers worth 10.5 million rubles (in the Moscow Region there were 43 transfers worth 20.1 million rubles per capita). In many ways, the essential difference between the regions in terms of the volume and value of credit transfers per capita is determined by the fact that most credit institutions transfer the servicing of customers' bank accounts previously opened in their regional branches to their respective head offices, the majority of which are located in the Moscow Region.

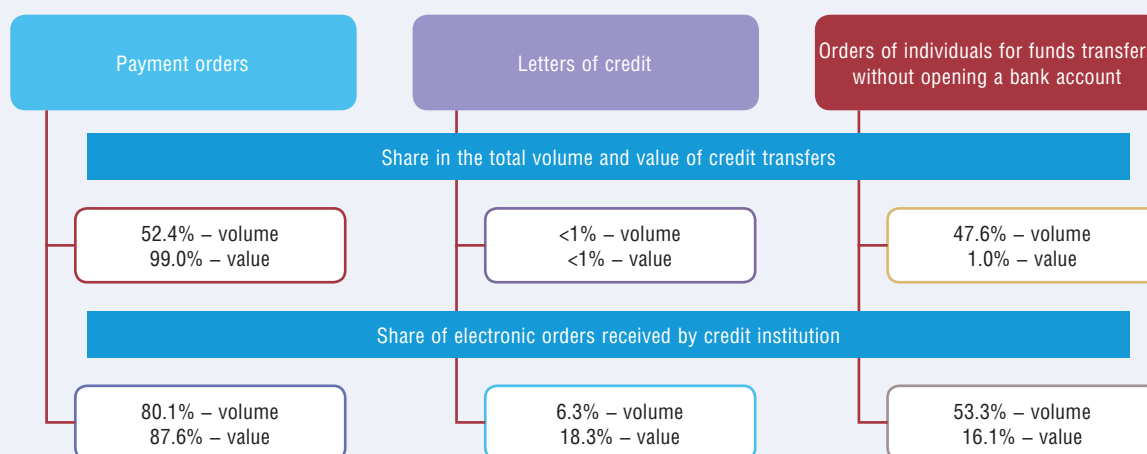
Table II.6. Operations using credit transfers in 2013–2014, by group of credit institutions

Distribution of credit institutions ranked by size of equity capital	Share of credit transfers, %						Average indicator per credit institution					
	Volume			Value			Volume, millions			Value, billion rubles		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Top 5	40.2	41.8	49.0	33.8	33.0	37.4	203.8	218.2	256.7	29,708.8	32,450.6	43,037.8
From 6 th to 20 th	17.2	19.7	13.7	20.9	19.6	13.8	29.1	34.2	24.0	6,127.4	6,402.4	5,298.3
From 21 st to 50 th	8.4	6.6	6.3	16.0	13.3	11.6	7.1	5.7	5.5	2,342.7	2,169.1	2,231.1
From 51 st to 200 th	13.8	13.0	12.8	16.0	23.6	30.5	2.3	2.3	2.2	467.8	772.0	1,169.6
From 201 st	20.4	18.9	18.1	13.4	10.6	6.8	0.7	0.7	0.8	78.0	71.9	62.3

The concentration level of operations using credit transfers by group of credit institutions remains high. In 2014, this indicator was on the upward track for the top five credit institutions (by the size of capital), while in the next group of credit institutions (by the same parameter), this figure proportionally declined. So, the group of the largest credit institutions by the size of capital accounted for 49% of all the payments in the form of credit transfers and 37.4% of their total value, which is almost 8 percentage points more in volume and 4 percentage points more in value than in the previous year. On average, each credit institution within the group processed annually 256.7 million of incoming instructions to the amount of 43.0 trillion rubles, which substantially exceeded similar indicators for other groups of credit institutions by the size of capital. This is largely due to the credit institutions' reorganisation by merger held in 2014.

In 2014, there were no significant changes in the structure of credit transfers by type of settlement documents. The share of payments using payment orders accounted for slightly more than a half of the total volume of credit transfers (52.4%) and for 99.0% of their total value. The average size of one operation based on payment orders made up 414.4 thousand rubles (in 2013, 367.0 thousand rubles). Out of 100 operations by payment orders, 78 fell on payments by legal entities other than credit institutions, 17 – on payments by individuals, and 5 – on own payments of credit institutions. In the total value of operations by payment orders the ones by legal entities prevailed (94.7%).

Chart II.28. Structure of credit transfers in 2014, by type of settlement document



Within the framework of credit transfers, the bulk of orders were sent by non-banks to credit institutions in the electronic form (67.4% of the total volume and 86.9% of the total value). Legal entities other than credit institutions traditionally used electronic technologies more often than individuals: in 2014, 86.6% of the total volume and 90.2% of the total value of orders in the form of a credit transfer were executed by them electronically. During the year the volume and value of payment orders submitted by legal entities to credit institutions electronically increased (by 7.5 and 21.5% respectively) and, by contrast, of those submitted on paper – decreased (by 21.8 and 7.9%). In terms of volume and value of such payments, the payments made via the Internet prevailed (79.7 and 77.9% respectively).

The electronic form of orders within the framework of credit transfers is becoming increasingly popular with individuals as well: in 2014, such payments accounted for more than a half of all credit transfers of individuals and for 21.8% of their value. The structure of the latter was dominated in terms of volume by transfers of individuals without opening a bank account made

through ATMs and POS terminals (nearly 83.4%) and in terms of value – by operations made by payment orders (nearly 77.1%).

Individuals more extensively used the Internet and mobile devices for making payments. The volume and the value of these payments grew by 22.2 and 67.6% respectively, over the year. Out of 100 payment orders sent by individuals to a credit institution, 73 were transferred by them via the Internet and using mobile devices (in 2013 – 69).

The share of transfers by individuals made without opening a bank account in the total volume of credit transfers by individuals reached 84.4% (1.3 billion transactions), and in the total value – more than one-third (4.7 trillion rubles). Their volume as compared to the previous year decreased by 3.4%, while the value increased by 2.0%. The average size of one transfer was 3.7 thousand rubles. During the year, there were nine transfers per capita on average totalling 32.1 thousand rubles.

The demand among households for this type of payment services is confirmed by the fact that the value of funds transfers by individuals effected in the bank infrastructure without opening a bank account was more than three times larger than the total value of postal remittances and payments made by individuals through payment agents and bank payment agents, including the federal state unitary enterprise Russian Post (hereinafter, the Russian Post).

It should be noted that the infrastructure of credit institutions was used most often by individuals for domestic transfers without opening a bank account in the Southern, Central and Urals Federal Districts: more than three quarters of the value of such transfers were made by the residents of these regions through credit institutions. Postal remittance services and payments made through payment agents (PA) and bank payment agents (BPA), including the Russian Post, were more in demand in the North Caucasus and Far Eastern Federal Districts (their share in the total volume of transfers of individuals without opening a bank account amounted to 59.9 and 44.3% respectively).

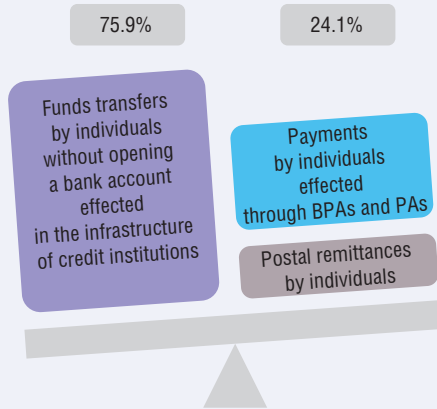
Large-value transfers without opening a bank account are mostly carried out by households at the cash offices of credit institutions: they accounted for 46.7% of the total volume and 83.9% of the total value of transfers. Operations carried out using ATMs and POS terminals accounted for 53.3 and 16.1% respectively.

Recipients of funds transfers without opening a bank account were located mostly in Russia. Transfers made within Russia were 55 times more in volume and 8 times more in value than those made abroad.

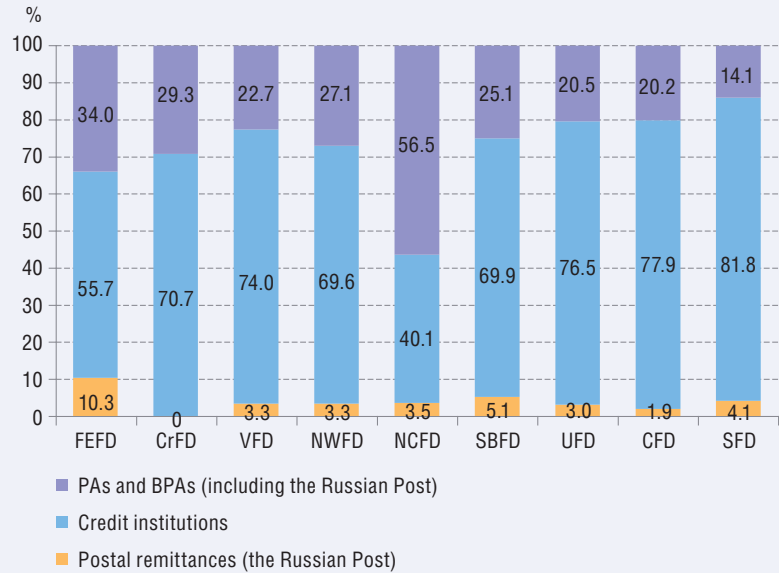
Payments by individuals in favour of legal entities that were, primarily, organisations providing housing and utility services, and government bodies (91.4% in volume and 71.7% in value) prevailed in the transfers of this category. The average size of a transfer in favour of legal entities, as compared with 2013,

Chart II.29. Transfers and payments by individuals without opening a bank account effected within bank and non-bank infrastructure in 2014, by value

In Russia as a whole (effected both in the Russian Federation and abroad)



By federal district (effected in the Russian Federation)

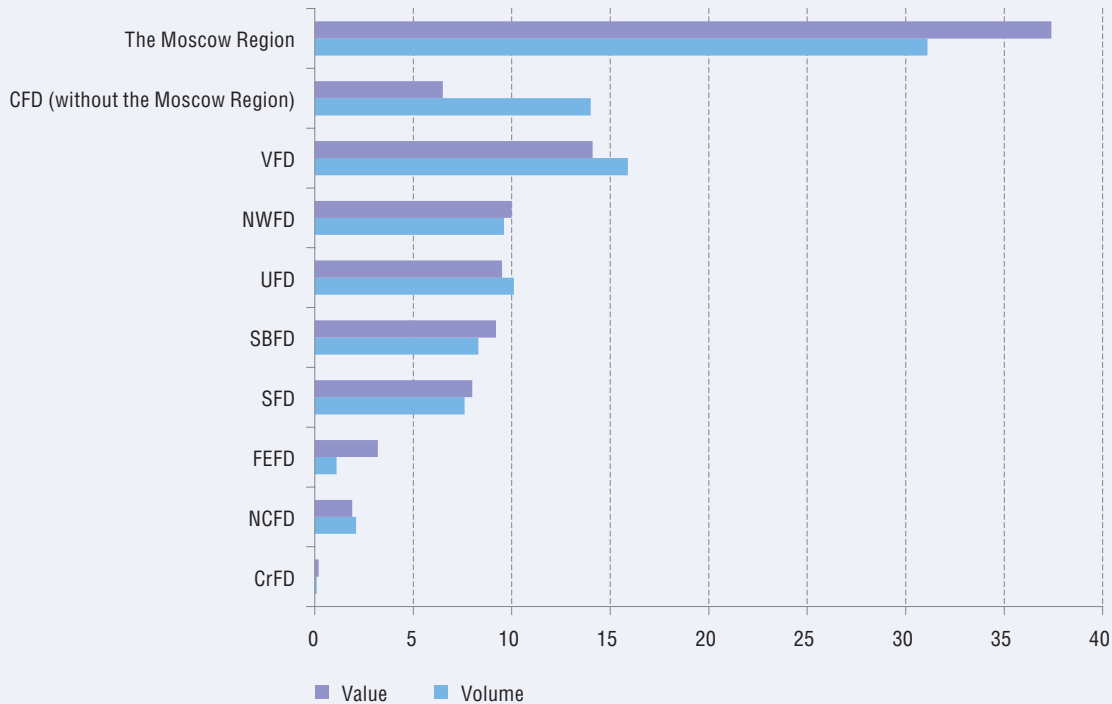


increased insignificantly and amounted to 2.9 thousand rubles, which was 4.2 times less than the size of an average transfer in favour of individuals.

As many as 99.2% of the total volume and 92.7% of the total value of funds transfers by individuals without opening a bank account were effected in Russian rubles. Foreign-currency transfers accounted for only 0.8 and 7.3% respectively. Nonetheless they tended to be much larger: the average size per transfer in a foreign currency was 32.4 thousand rubles, or more than nine times the average size of a ruble transfer.

The Central Federal District was the leader among the federal districts in transfers by individuals without opening a bank account – it accounted for 45.1% of the total volume and 43.9% of the total value of such transfers, with most of them made by the residents in the Moscow Region. The residents in the Volga Federal District performed such transactions three times less often – 15.9% in volume and 14.1% in value. The lowest values of these indicators were recorded in the Crimea and North Caucasus Federal Districts (0.1 and 2.1% in volume and 0.2 and 1.9% in value respectively).

In 2014, the share of the five top credit institutions in the total volume of transfers without opening a bank account was 72.8%, which was more than 5 percentage points higher than the last year's figure. By the value of such transfers the concentration coefficient in the provision of funds transfer services by banks without opening a bank account amounted to 47.9%, registering an increase of 1.6 percentage points. At the same

Chart II.30. Structure of funds transfers by individuals without opening a bank account in 2014, by federal district, %

time, credit institutions of the Moscow Region continued to dominate (they accounted for 31.1% of the total volume and 37.4% of the total value of transfers).

The share of credit transfers used in the framework of a letter of credit remained small (in the total value of credit transfers it did not exceed a tenth fraction of a percent). In terms of volume of transactions in the framework of settlements under a letter of credit, payment transactions by individuals dominated (82.3%), payments by legal entities other than credit institutions prevailed in terms of value (69.9%); 6.3% of the total volume and 18.3% of the total value of letters of credit were submitted to credit institutions electronically.

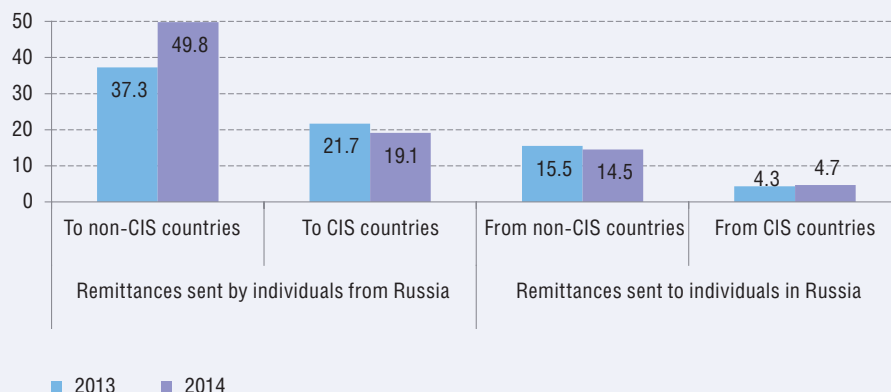
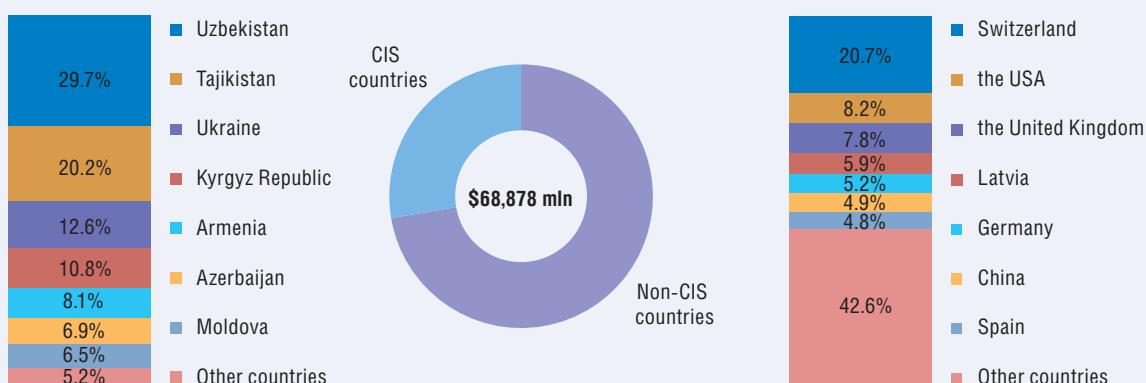
Cross-border remittances by individuals

According to the World Bank data³⁴, in 2014 the total value of cross-border remittances in emerging economies amounted to \$436 billion, marking a 4.4% increase as compared with 2013. The main recipient countries of remittances were India (\$70 billion) and China (\$64 billion).

In 2014 as compared with the previous year, the total value of cross-border transfers by individuals³⁵ from Russia and to

³⁴ Migration and Development Brief. The World Bank. 13 April 2015.

³⁵ Cross-border non-cash transfers (receipts) by resident and non-resident individuals (receipts in favour of resident and non-resident individuals) made with or without opening an account with a credit institutions, including remittances made via money transfer systems.

Chart II.31. Individuals' cross-border remittances, by transfer direction, billion dollars**Chart II.32.** Structure of remittances sent by individuals from Russia in 2014, by recipient country

Russia increased by 11.8% (in 2013, by a quarter) and amounted to \$88.1 billion. The negative balance of cross-border operations reached the historic high and amounted to -\$49.7 billion.

As in previous years, in 2014 non-CIS countries had the largest share of cross-border funds transfers made by individuals from and to Russia, their value exceeded the similar indicator for the CIS countries threefold.

Remittances sent by individuals from Russia

As in previous years, in 2014 the vast majority of cross-border transfers (almost 80%) were carried out from Russia. Their value as compared to 2013 increased by 16.8% and reached \$68.9 billion. The share of transfers to non-CIS countries increased by 9.2 percentage points to 72.3% as compared with 2013. The leading recipient countries were Switzerland, the USA, the UK, Latvia and Germany, the total share of which reached almost 50%. The value of transfers to the CIS countries amounted to \$19.2 billion, which was 3.0% less than in 2013.

At the same time, the largest value of remittances sent to the CIS countries fell on Uzbekistan (29.7%) and Tajikistan³⁶ (20.2%).

The value of remittances sent by individuals from Russia via payment systems for remittances without opening a bank account³⁷, decreased in comparison with the previous year by 11.6% and amounted to \$20.9 billion, their share also decreased and amounted to 30.3%. At the same time, 9 out of 10 such transfers were sent to CIS countries.

The survey of individuals conducted by the Bank of Russia in 2014 showed the dominance of three currencies among the currencies of transfers indicated by respondents in the survey: the Russian ruble, the US dollar and the euro (54, 38, and 7% respectively)³⁸.

Residents sent the largest share of transfers from the Russian Federation. Their most common purposes were transfers to their own accounts with foreign banks (54.1%). Non-repayable remittances accounted for 18.4%, while the remaining – were payments for goods and services, transfers related to loans, e-money transfers, real estate transactions, etc., amounting to 27.5%.

Remittances received by individuals in Russia

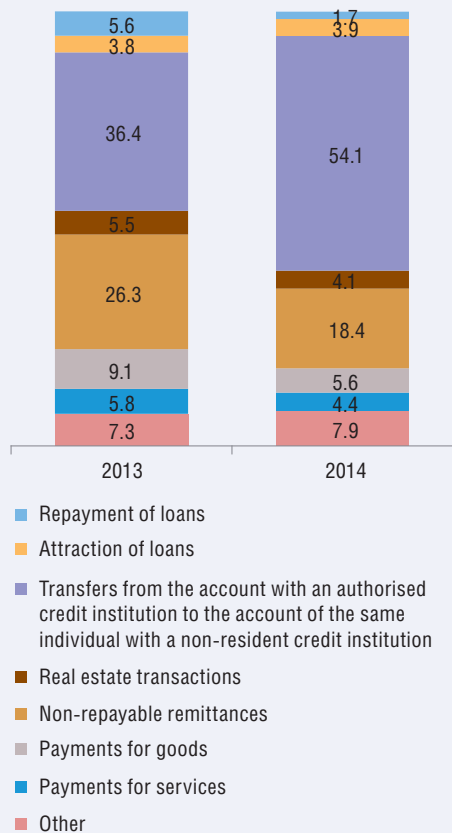
The value of cross-border remittances in favour of individuals in the Russian Federation in 2014 was 3.6 times less than the value of remittances from Russia, going down by 3.0% year on year, and amounted to \$19.2 billion.

The largest share of all the receipts was made by transfers from non-CIS countries, where Switzerland and Latvia were in the lead (18.1 and 15.1% respectively).

In accordance with the survey of individuals, carried out by the Bank of Russia in 2014, the currency structure of remittances received by the respondents was dominated by Russian rubles, US dollars and euros (74, 20 and 6% respectively)³⁹.

One out of five remittances to Russia was made through payment systems for remittances without opening a bank account. Their value amounted to \$4.2 billion, of which 76.1%

Chart II.33. Remittances of individuals – Russian residents, by transfer purpose, %

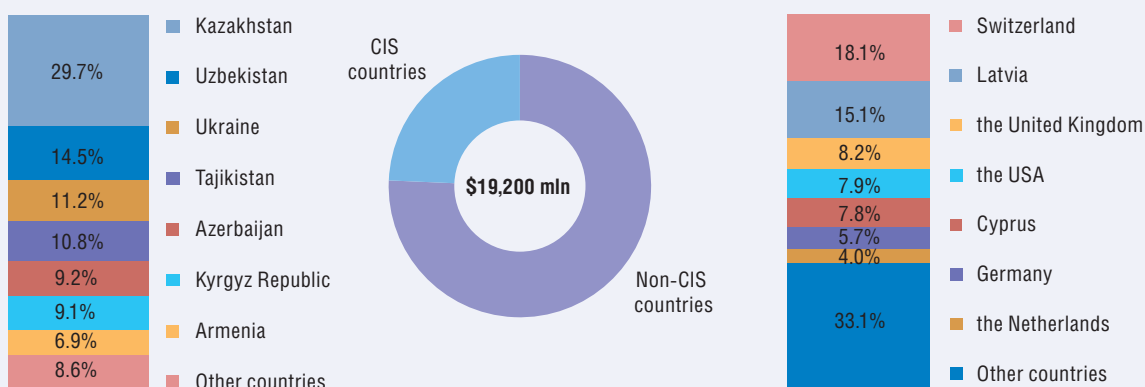
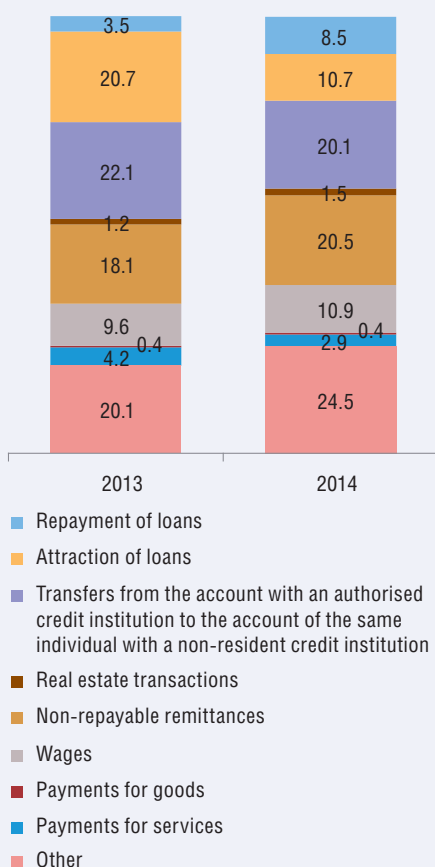


³⁶ According to the World Bank, in 2013, cross-border transfers made 49% of the Tajikistan's GDP.

³⁷ Payment systems for remittances include CONTACT payment system, UNISTEAM international funds transfer system, Western Union payment system, ANELIK payment system, BLIZKO payment system, payment system 'International Money Transfers LEADER', Payment System 'Golden Crown', InterExpress payment system, payment system 'Kolibri', and the Russian Post.

³⁸ See: http://www.cbr.ru/statistics/CrossBorder/results_trans.pdf.

³⁹ Ibid.

Chart II.34. Structure of remittances to individuals in Russia in 2014, by remitter-country**Chart II.35.** Cross-border remittances to Russia in favour of resident individuals, by purpose of receipts, %

were receipts from the CIS countries. The average amount of one transaction exceeded the same indicator for non-CIS countries and equalled \$934.

The share of residents remittance recipients in 2014 remained significant and amounted to 83.2%. In the structure of money transfers to Russia, the prevailing transfers were non-repayable remittances (20.5%), transfers to individuals' own accounts with credit institutions (20.1%) and repayments of principal debt on loans (10.7%).

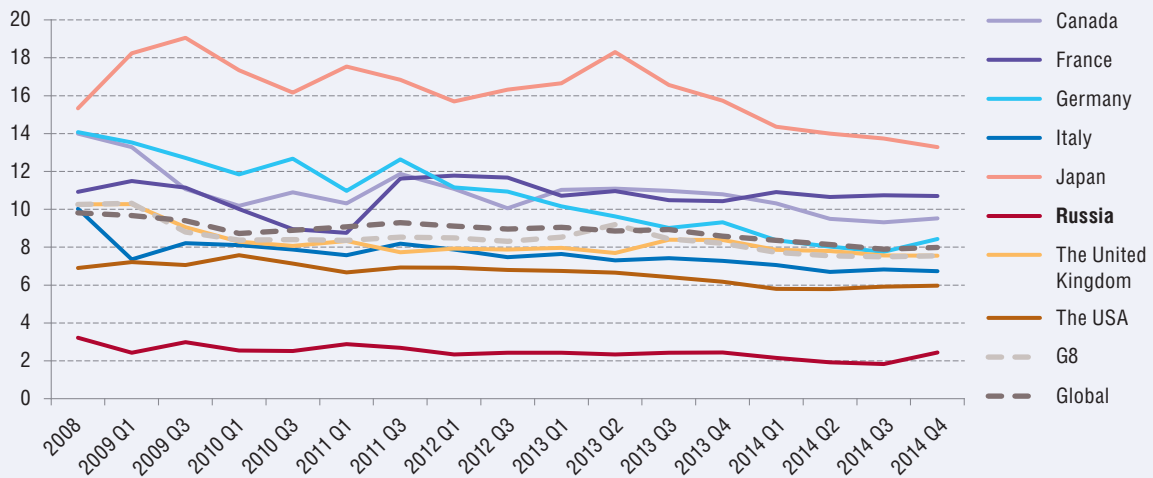
Cross-border remittances in socially important payment systems

In 2014, cross-border remittances were carried out within the framework of four socially important payment systems: 'Golden Crown', 'International Money Transfers LEADER', VTB and CONTACT. In the payment systems 'Golden Crown', 'International Money Transfers LEADER' and CONTACT, virtually all foreign currency money transfers were cross-border transfers. In the payment system VTB the share of cross-border transfers in the total volume and value of its foreign currency remittances amounted to 71.2 and 43.1% respectively. Within socially important payment systems, the share of cross-border transfers in the national currency of the Russian Federation ranged, respectively, from 3.0 to 77.6% in volume and from 24.9 to 67.7% in value of money transfers carried out within each of the four above-mentioned payment systems.

Costs of migrant remittance services in different countries

According to the data of the Internet resource of the World Bank Remittance Prices Worldwide⁴⁰, providing information on 226 country corridors, which ensure remittances from 32 to 89 countries, the global average cost of transferring an amount

⁴⁰ An analysis of trends in the cost of migrant remittance services. January 2015. Issue No. 12.

Chart II.36. Average total cost of a remittance, by country-sender, as % of a remittance amount

of \$200 or its equivalent in the national currency decreased from 8.6 to 8.0% of the transfer amount in 2014 Q4 as compared to 2013 Q4. The cost of transfers in Japan, France, Germany and Canada was higher than the global average and the average for the G8 countries⁴¹. The opposite situation was observed in Russia, the USA and Italy. In particular, the lowest cost of a transfer in the G8 countries – 2.44% – was registered in Russia.

Box 9. How smartphones transformed the cross-border remittance market¹

Annually, cross-border remittances to the amount of about \$550 billion are made world-wide, and this figure will increase year by year. The market of international transfers, bringing together more than 190 countries, is one of the largest financial services markets, the participants of which include banks, regulators, payment systems and other participants of the funds transfer process. Despite the volume and demand, cross-border remittances are still one of the most expensive, fragmented and non-transparent for users financial products. On average, a cross-border remittance costs 9% of the amount transferred, and in contrast to most financial services the cost of this funds transfer reduces very slowly due to the current business model, which includes a large number of intermediaries between the sender and the recipient of transfers.

The solution to this problem for the P2P segment may be the spread of cross-border fund transfers using mobile devices. The main advantage of this method is the much wider spread of mobile services among the world's population, as compared to bank services. For example, even in such a developed country as the United States, about 30-40 million people do not use bank services, whereas 91.6%² of the population take advantage of the 3G/4G networks. The second important aspect is the large number of cross-border money remittances involving the use of cash, especially with the participation of citizens of developing economies.

Electronic payment services, which enable non-cash funds transfers, will significantly simplify the process of international funds transfers between end-users. In the US, one of the leaders in this sphere is

⁴¹ An international club that unites governments of the United Kingdom, Germany, Italy, Canada, Russia, the USA, France and Japan.

the Xoom company, the mobile application which allows the user to effect funds transfer and pay bills from the US in 33 other countries faster and cheaper than using Western Union, Moneygram or via a bank, which is the most expensive way to make cross-border remittances. Furthermore, for example, the funds transfer from the USA to India will go through Xoom in the real time mode, whereas when made through banks it takes up to four days. Funds remitters with bank accounts can also use their bank accounts, credit or debit cards when executing funds transfers through Xoom.

The first step towards the 'digitalisation' and the increase in the accessibility of cross-border remittances, and therefore towards the broadening of the potential users' audience is the possibility to use prepaid cards. A number of well-known providers, including Western Union and NetSpend, also launched joint projects on prepaid services with other companies. Modern digital banks that have no branches at inception, move in the same direction, but focus more on the most advanced users of the Internet and mobile devices and not on the people who have no other option but to get the amount of the transfer in cash.

The possible solution to this problem is the increase in the use of mobile banking products and mobile wallet provided by non-banks, including those in the developing countries. A good example to illustrate this approach is the Kenyan system M-Pesa, which at the moment has already registered more than 20 million accounts. Mobile wallets have a great potential in the market of cross-border remittances, offering a complete rejection of cash and a much higher speed of the transfer in comparison with traditional providers and allowing customers to use their phones directly for the implementation of the necessary actions (payment for goods and services).

Additionally, well-known companies Facebook or WhatsApp, possessing a huge customer base and required licences, have the opportunity to enter the international remittance market, either alone or in partnership with other existing structures.

Security, price, ease of use, speed, and confidence in the brand still remain extremely important aspects for users. In this connection, both the new companies offering the services of cross-border funds transfers, and large and well-known participants of this market work on the creation and development of their mobile services that will allow to reduce the cost and make the P2P transfer process more convenient.

¹ According to the article 'Mobile money: The impact of smartphones on the international remittance market' (Journal of Payments Strategy & Systems, Volume 8, Number 3).

² See: Global Mobile Statistics 2014, Part A: Mobile Subscribers; Handset Market Share; Mobile Operators (2014, 1st January).

II.3.3. Direct debits

In 2014, the share of payments based on direct debits in the total volume of non-cash payments of customers of credit institutions and their own payments amounted to 0.7%, and in the total value to 0.3%. In 2014, 84.8 million transfers worth 2.1 trillion rubles were made in the form of direct debits, with their number remaining almost unchanged, and the value growing by 17.5%. Relative to GDP, the share of payments in the form of direct debits increased from 2.7% in 2013 to 3.0% in 2014.

The growth of payments using this payment instrument was observed in four of the nine federal districts, with the highest growth recorded in the Central Federal District (by 18.6% in volume and 40.9% in value). The Far Eastern Federal District registered the largest drop in the value of direct debits (by 68.3%),

despite the high growth rate of their volume (17.9%). Other federal districts (except the Urals) recorded a growth in the value of payments in the form of direct debit: this index ranged from 5.9% in the Volga Federal District to 86.4% in the Siberian Federal District. Across Russian regions, the average size of one direct debit payment increased by 17.7% to reach 24.9 thousand rubles.

The structure of direct debit payments was still dominated by collection orders (53.3%), in volume, and the payment claims (73.0%), in value. In 2014, non-banks sent 39.6 million payment claims worth 1.5 trillion rubles to credit institutions. Compared to the previous year, the volume of such payments decreased by 14.8%, with their value increasing by 31.8%. However, the volume of payments based on collection orders, by contrast, increased by 17.3%, with their value reducing by 9.2%. The average size of payment based on payment claim was 38.8 thousand rubles, which is almost 3 times more than the similar indicator for collection orders (12.6 thousand rubles).

As in previous years, payments by legal entities other than credit institutions dominated the structure of direct debit payments, making 69.9% of the total volume and 90.4% of the total value. Individuals used this tool for making payments less actively: they accounted for 30 out of the 100 payments in the form of direct debits, and their share in the total value was only 5%.

More than half of the orders in the form of direct debits (both in volume and value) were submitted to credit institutions electronically.

II.3.4. E-money

The electronic money (hereinafter, e-money) for many Russian users of payment services, especially for the young people, have become a habitual payment instrument.

Box 10. Popularity of e-money in Russia

The results of the TNS Russia study conducted in April – May 2014 showed that 40% of Russian users of e-money effect payments using it both through a computer and through a mobile device.

The survey involved economically active users aged from 20 to 44 years from cities with a population above 700 thousand people. All the respondents of the survey know about the e-money, 73% of the respondents use it at least once a year, nearly 50% – once a month or more frequently.

The top five categories of payments using electronic wallets: Internet purchases, mobile communications, money transfers, utilities, digital content. More often Russians pay for online purchases using computers, for mobile communication – using smart-phones.

Young people in the age group from 20 to 24 years are more active than other groups in the use of e-money to buy entertainment tickets and to pay for online content. Users aged from 35 to 44 years tend to use them to pay for their mobile communications and utilities.

Chart II.37. Structure of direct debit payments in 2014, by type of settlement documents

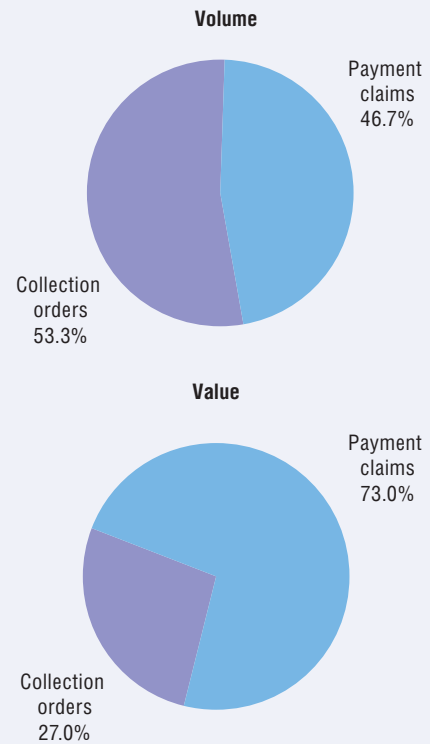
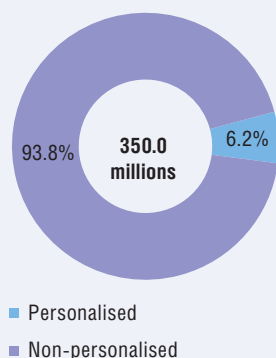
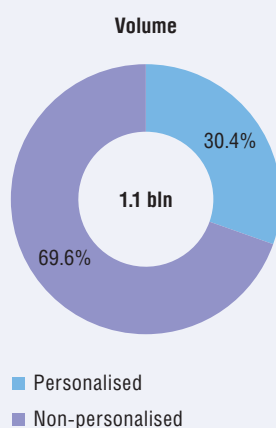
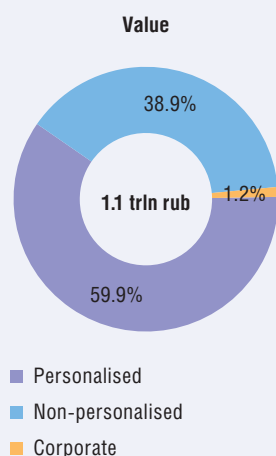


Chart II.38. Structure of issued EMP for e-money transfers in 2014

Corporate EMP accounted for less than 0.01%.

Chart II.39. Structure of e-money transfers in 2014

Corporate EMP accounted for less than 0.1%.



2014 saw a stable growth in indicators characterising the e-money market. As of end-2014, 97 credit institutions were e-money operators (the previous year, 82). Over the year, they issued 350 million electronic means of payment (hereinafter, the EMP) for the e-money transfer, which is 9.2% more than a year ago. Compared to 2013, the volume and value of payments made using them increased 1.9 and 1.7 times respectively, there were effected 1.1 billion operations worth 1.1 trillion rubles. They were almost completely (about 99% both in volume and in value) represented by transactions of individuals who on average made 3.1 million transactions daily to the amount of 3.0 billion rubles. The average amount of a transaction was 997 rubles.

The non-cash operations accounted for more than 99% in volume and 93.1% in value. Average transaction amount for transferring the balance issued in cash was significantly larger than the same indicator for non-cash transactions (8,238 rubles versus 947 rubles).

Despite the high rate of growth, the share of non-cash transactions to make e-money transfers as compared with other payment instruments used by individuals in non-cash payments remains yet insignificant – 8.7% in volume and 0.2% in value (in 2013, 6.1 and 0.1% respectively). For comparison, the share of transactions with payment and credit cards in the total volume and value of non-cash transactions of individuals amounted to 54.1 and 2.0% respectively. This is explained by the specifics of using the e-money: it is mainly used in the remote shopping in the Internet, mainly for small amounts. Out of 100 payments made by individuals in the Internet, 74 were payments made using e-money, 20 payments were made using payment and credit cards, and the remaining 6 payments involved other tools. Their share by value in the Internet payments is significant – 29.9%.

According to the purpose, the structure of e-money payments consists of the following payments: for mobile services, the Internet and commercial TV, goods and services ordered via the Internet or from catalogues, municipal services and electricity, fixed telephone services, as well as money transfer to another e-wallet or to a bank account.

Users favoured non-personalised EMPs: they accounted for 69.6% of transactions in volume and 38.9% in value. However, compared to 2013, their share in the total volume and value of transactions declined by 6.1 and 13.2 percentage points respectively. The share of transactions with personalised EMP was 30.3 and 59.9% respectively. The share of corporate EMP was negligible. The average amount of an e-money transfer using a non-personalised, personalised and corporate EMP was 563; 1,990 and 9,140 rubles.

In 2014, the PLUS journal⁴² conducted an online survey of readers. To the question: ‘How have amendments to the Federal Law No. 161-FZ restricting anonymous payments influenced your business?’⁴³, half of the respondents indicated that the effect was negligible, since the share of anonymous payments in their business was small, and active customers passed the identification. About 30% of respondents said that these amendments had no substantial impact on their business, because they had very few / had no unauthenticated users of financial services. About 21% of respondents believed that the tightening of the requirements for anonymous Internet payments significantly affected their business: 14% of respondents registered a substantial drop in the turnover of electronic payments made through the terminals / pre-paid cards; 7% of respondents had to give up a number of products and services.

Over 83% of the issued EMP for e-money transfers fell on prepaid cards (290.6 million cards). Out of 100 e-money transfers effected in 2014, 75 were transactions using prepaid cards, representing 78.9% of the total value of e-money transfers. During the year, there were effected 822.4 million such transactions amounting to 875.6 billion rubles, most of which were non-cash transactions (98.9 and 92.1% of the total volume and value). The share of the transfers of balances issued in cash in the total volume of operations using prepaid cards was 1.1% and in the total value – 7.9%.

Note should be taken of the process of integration of payment instruments, specifically, e-money and payment cards. The first instrument allows card-holders to expand their payment possibilities, as for a customer a payment card becomes a source of replenishment of the e-wallet with the necessary amount without disclosing his/her payment card details. Simultaneously, the payment card-holder retains the functionality of card payments. Such integration projects are implemented by Russian credit institutions as well. The so-called ‘virtual prepaid cards’ are gaining popularity. These are issued in the electronic form and intended exclusively for online payments (par value of such card can be equal to the amount of the purchase, which significantly reduces the risk of unauthorised transactions). In addition, there should be noted the high demand for prepaid cards issued on a physical carrier (often as a ‘co-badged product’ with an international payment system), which can be used in addition to standard operations for transfers without opening a bank

⁴² PLUS. 2014. No. 12 (211).

⁴³ Federal law No. 110-FZ dated 5 May 2014 ‘On Amending Certain Laws of the Russian Federation’.

account in loyalty programs as a means of access to online banking services.

In 2014, the level of payment services concentration in the segment of e-money transfers remained rather high. The top five banks accounted for 72.9% of the total volume of active EMP for e-money transfers. In terms of volume of e-money transfers, the concentration factor was 66.6%, in terms of value – 75.1%.

II.3.5. Other instruments

Cheques hold the smallest share in the structure of non-cash payment instruments. In 2014, there were processed 4.3 thousand payments using cheques worth 39.4 billion rubles. Payments conducted by legal entities other than credit institutions accounted for more than a quarter of the total volume and 3.8% of the total value of these payments, while payments by individuals accounted for 8.7 and 1.5% respectively, and credit institutions' own payments made up 65.9 and 94.6%. Cheques were used only in half of the federal districts (the Volga, Northwestern, Siberian and Central), most actively – in the Volga region (71.9% by volume and 59.5% by value).

During the year the volume and value of payments using bank orders increased by 10.6 and 20.2% respectively; there were effected 1.9 million transactions worth 8.1 trillion rubles. This settlement document is used primarily for effecting transactions of a recurrent and mass character. In 2014, 87.3% of the total volume of the credit institutions' (branches') own payments and 12.9% of their total value were carried out with the use of a bank order (the average payment amount was 5.9 thousand rubles).

In the total volume of payments for which the orders were sent to credit institutions in the electronic form, the share of bank orders was 13.1%. More than 70% of bank orders by volume and value were drawn with the use of electronic technologies.

Box 11. Prospects for the ISO 20022 standard implementation

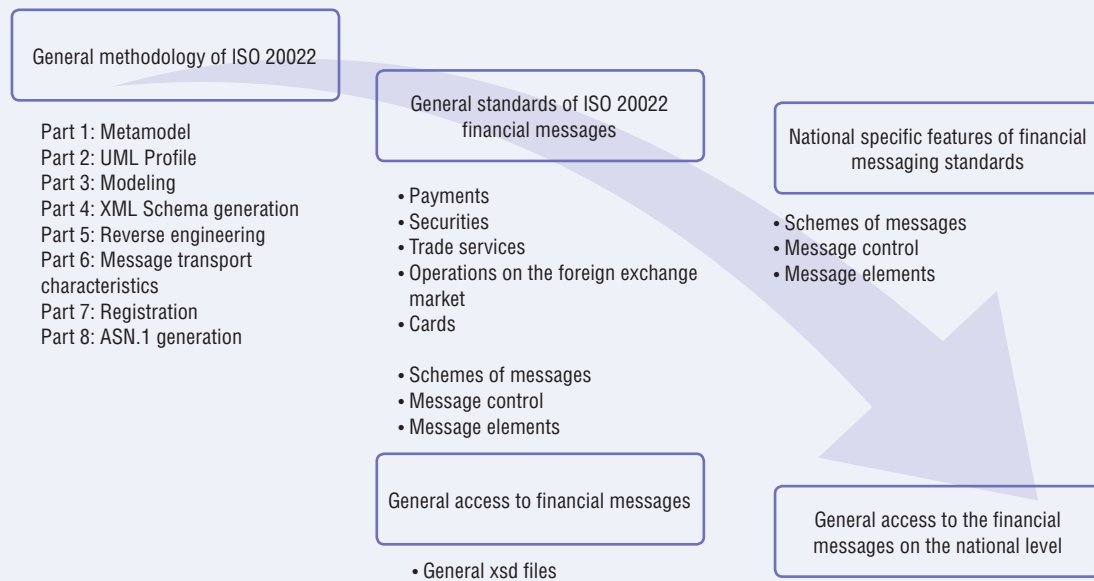
Currently, the international standard ISO 20022 is rapidly gaining popularity in all the areas of the financial activities, in part due to the possibility of applying it to both domestic and cross-border transactions.

Recently, due to the rapid development of electronic payment systems, financial institutions are forced to spend significant funds to support a variety of formats and rules of interaction with each other using different instruments and payment systems. Moreover, attempts to standardise this area resulted in the clustering of certain models of interaction by region or industry. The need for a global standard that defines the rules for cross-sector exchange of financial information has become evident. Since 2002, this work was carried out in the Technical Committee № 68 'Financial Transactions' of the International Organisation for Standardisation (ISO), and as a result the ISO 20022 standard was officially adopted in 2004.

ISO 20022 is a standard and methodology of business process description, accompanied by the exchange of electronic financial messages as well as the methodology of designing schemes and formats of these messages. It is a universal language of interaction between different automated systems of financial and trade markets participants.

The main difference of the ISO 20022 standard from a variety of earlier existing ones is the availability of a methodology for designing the exchange schemes and formats of electronic messages. Information messaging operations are complementary; they only ensure the execution of major financial operations and cannot be viewed outside the context of the basic operations, which is taken into account in the ISO 20022 methodology. Following the instructions of this 'manual' on the creation of standards, using the formalised tools based on the UML languages (simulation language, which is used for the visualisation and designing of software systems) and the XML language (markup language that is used for creating and automated processing of documents), one can simulate business processes corresponding to a specific subject area, as well as the necessary electronic messages. Due to the fact that the application scope of the ISO 20022 methodology covers all the financial sectors, it ensures the 'pass-through' processing of information and, as a consequence, significantly reduces the operating costs and the risk of errors due to the absence of operations carried out with the use of manual labor both at the domestic and cross-border exchange of information.

Stages of the ISO 20022 standard implementation



It should also be noted that through the use of XML and UML there has been implemented the independence of the models created on the basis of the ISO 20022 from any particular technological platform. This means that users can make changes to their software complexes as needed and still use the comfortable for them business models based on the ISO 20022.

Currently, in the process of designing the messages there have been investigated business processes in such areas as payments, transactions with securities, account management, transactions in the foreign exchange market, operations with bank cards, trading, corporate actions, the electronic exchange of information with the state and tax authorities, etc.; there have been identified all the possible types of participants in these processes, the possible schemes of their interaction and the content of the data transmitted at each stage of information. Based on the designed models, descriptions of schemes and

formats of electronic messages were obtained, that implemented the described business processes. They were the standards of financial messages, which together with their components were stored in the repository – the central warehouse of all the materials developed under the ISO 20022 methodology. The openness and the approach to the creation of the standards that is common for all the areas, ensure the universal use of ISO 20022.

The first major project in the implementation of the ISO 20022 standard was the single payment area in Europe (SEPA, the Single Europe Payment Area), in which member countries were instructed to use the ISO 20022 at funds transfers effected through credit transfers and direct debits. Also, the European Central Bank recommended the adaption of the standard to the European system of real-time gross settlements TARGET2, in which the migration to ISO 20022 is planned for 2017. The Settlement System for Securities TARGET2-Securities based on ISO 20022 was launched in 2015. Approximately 200 initiatives from 90 countries were received on the implementation of ISO 20022, including from China, Japan, USA and others¹.

Initiatives of this magnitude, of course, are the reason for the launch of work on this subject in the Russian Federation as well. The idea of migration to the ISO 20022 standard looks particularly promising within the framework of a project to create a single retail payments area in the Russian Federation with its subsequent expansion to the territories of other EAEU member states². The application of the ISO 20022 methodology contributes to solving the problem of the Russian national payment system's compatibility with international payment systems, increasing the accessibility of the Russian financial market to foreign participants, to ensuring the continuity of the automatic processing of electronic payment documents of commercial banks and corporate messages in Russian rubles both in credit institutions and at the interaction with the Bank of Russia payment system.

¹ See: The ISO 20022 Adoption Initiatives Report (<http://www.iso20022.org>).

² See: The National Payment System development strategy (<http://www.cbr.ru>).

CHAPTER III. CASH

As of end-2014, the Bank of Russia banknotes and coin worth 8,848.5 billion rubles (including cash at the Bank of Russia vaults) were in circulation, including banknotes worth 8,770.5 billion rubles (6.6 billion pieces), and coin worth 77.7 billion rubles (60.6 billion coins) and coin made of precious metals worth 0.3 billion rubles. Thus, in 2014 the trend towards an increase in the amount of cash in circulation persisted. The growth rate of cash in circulation amounted to 6.4%, however, as compared with 2013 (8.3%), it decreased.

No significant changes were observed in the structure of cash: in the total value of cash the banknotes accounted for 99.1%, coin – for 0.9%; in the total volume – banknotes accounted for 9.8%, coin – for 90.2%. At the same time per each citizen of the Russian Federation, as in 2013, there were 45 banknotes, and the number of coin increased – from 339 to 414.

The rise in prices observed in 2014 caused changes in the composition of banknotes denominations with the population. The share of 5,000 ruble banknotes increased (from 67 to 68.6%) and the share of 1,000 ruble banknotes decreased (from 26.2 to 24.9%) as well as 500 ruble banknotes (from 4.9 to 4.6%); the share of other banknotes remained unchanged.

In 2014, the number of counterfeit banknotes of the Bank of Russia identified, withdrawn from circulation and delivered to law enforcement authorities increased by 12.3% (from 71,433 to 80,243 pieces), which changed the downturn trend of this indicator emerging from 2009.

The number of detected counterfeit 1,000-ruble and 500-ruble banknotes decreased (from 27,693 to 16,545 sheets and from 7,494 to 2,100 sheets respectively), however the number of detected counterfeit 5,000-ruble banknotes increased (from 35,565 to 60,911 sheets).

In 2014, the value of cash circulation of the Bank of Russia branches and credit institutions (hereinafter referred to as banks) increased by 10.5% as compared to 2013 and reached 101.6 trillion rubles. This included 28.3 trillion rubles worth of cash receipts and cash withdrawals through ATMs and POS terminals of credit institutions.

Total receipts of banks' cash offices amounted to 44.4 trillion rubles, which is 8.8% more than in 2013. Most of the receipts were income from the sale of goods (30.1%), receipts to deposit accounts of individuals (23.6%), receipts to bank accounts of individuals (12.8%). The most rapid increase in 2014 was registered in the proceeds from the sale of foreign currency cash to individuals (the growth rate was 49.7%). Proceeds from real

Chart III.1. Denominations of banknotes in 2014

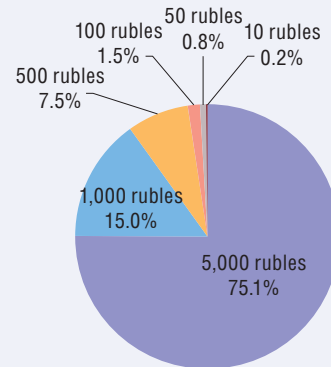


Chart III.2. Number of detected counterfeit Bank of Russia banknotes and coins, thousands



estate operations increased by more than 20% (21.8%) and proceeds from government and other securities and bills transactions increased by 21.4%. The most significant decrease in 2014 characterized the receipts from the Federal Communications Agency (by 7.5%).

The total cash given out by banks' cash offices in 2014 amounted to 28.9 trillion rubles (increase of 7.2% as compared with the previous period). The largest value of withdrawals in 2014 was registered for the withdrawals from the deposit accounts of individuals (45.6%), and withdrawals from household accounts (17.8%) and the payments to the Federal Communications Agency (9.1%). Significant growth was recorded for withdrawals for the government and other securities and bills transactions (by 28%), withdrawals from the bank accounts of individuals (by 22.7%) and withdrawals for pensions, allowances and insurance indemnities (by 19.2%). There was a reduction in wages, social benefits and student grant withdrawals (by 11%), as well as in withdrawals from the accounts of individual entrepreneurs (by 9.1%) and loans and credits extended (by 7.5%).

Users of payment services still actively used the ATMs and payment terminals: in 2014 the value of cash received via ATMs and payment terminals of credit institutions amounted to 6.5 trillion rubles, which exceeded the 2013 value by 30.2%. The value of cash withdrawals through ATMs amounted to 21.9 trillion rubles, an increase of 13.8% compared to 2013.

In 2014, as in the previous period, the receipts from banking payment agents increased significantly (by 29.4%), which amounted to 0.2 trillion rubles. The value of receipts from payment agents increased by 5.5% to 1.1 trillion rubles.

CHAPTER IV. BANK PAYMENT AGENTS AND PAYMENT AGENTS

Box 12. The role of non-banks in the retail payment services market

One of the stable trends in recent years was the emergence and development of the market of payment services for new participants: organisations other than banks (hereinafter, non-banks or non-bank institutions).

In CPMI countries non-bank institutions annually accounted for almost 300 billion non-cash payments, most of which were retail payments. It shall be noted that the volume of such payments tends to increase by an annual average of 5%.

In its report, 'Non-bank in Retail Payments'¹ CPMI published a study on non-banks. The aim of the study was to determine which organisations involved in the retail payment services, were considered non-banks, to classify them, to identify the reasons for their increasing role, as well as to analyze the factors that promote and prevent the cooperation between banks and non-bank institutions. In addition, the regulation of non-banks, including the regulation by central banks was analyzed. The study involved a lot of participating countries, including Australia, Belgium, Canada, France, Germany, Hong Kong, the Syrian Arab Republic, India, Italy, Japan, Mexico, the Netherlands, Saudi Arabia, Singapore, South Africa, Sweden, Switzerland, Turkey, United States and Russia.

Firstly, the report introduces the definition of a non-bank institution.

Non-bank institution is an organisation involved in the provision of retail payment services, whose main business is unrelated to taking deposits from the public and using these deposits to make loans.

The classification of non-banks, proposed in the report comprises four categories: front-end providers, back-end providers, operators of retail market infrastructures, end-to-end providers:

front-end providers provide an interface between customers (payers and payees) and clearing and settlements service;

back-end providers provide mostly specialized back-end services, including IT services, and interact with consumers only through banks;

operators of retail market infrastructures – organisations providing clearing and settlement services to banks and other providers of payment services;

providers of integrated payment services are a combination of the above four categories. The operation of providers of integrated services is carried out within a closed-loop system in the sense that movement of funds from the payer's account to the payee's bank account does not necessarily require connection with banks.

In addition, the study has investigated the level of participation of non-banks in the provision of retail payment services on different stages of the payment process, depending on the payment instrument (check, credit transfer, direct debit, credit card, debit card, electronic money, remittance transfer).

The study identified five main stages of the payment process:

pre-transaction stage at which the procedures necessary for making a payment are effected: customer acquisition, equipment tuning, conclusion of contracts;

authorization stage, including the generation, confirmation and sending payment information;

clearing stage including an exchange of payment information between the payer's accounts and the settlement positions are determined;

settlement stage at which the actual transfer of funds between the accounts of the payer and the payee takes place;

post-transaction stage – the stage of providing additional services after the transaction (for example, the complaints handling).

The results of information collecting have shown that the level of participation of non-banks in the pre-transaction stage is quite high in the case of credit cards and electronic money. At the stage of authorization the role of non-banks is also significant, and at the clearing stage the involvement of non-banks is noticeable in the case of remittance transfers, cards and electronic money, and negligible in the case of other payment instruments. At the settlement stage the role of non-banks is minimal, but at the post-transaction their active participation is observed.

The banks guided by the need of reducing the costs, outsource to non-banks their non-core services, which contributes to the active involvement of non-banks in the payment process. For non-banks, in their turn, these services become core services and they specialize in them, thereby taking up a certain share of the market.

In addition, the development of non-banks benefits from the changing payment habits of consumers and the development of innovations (eg. the e-commerce). An important factor is the positive impact of the regulation, aimed, in particular, at ensuring fair competition, under which non-banks enter the market of retail payment services on a par with the existing participants.

Despite the positive overall impact of non-banks on the payment industry, their participation in the payment process is associated with the occurrence of a number of risks which must be considered when implementing the regulation:

- concentration of non-banks in any stage of the payment process can pose a threat to the security and stability of the payments;
- outsourcing of services to non-bank organisations should provide for clear cut responsibilities;
- non-banks' participation lengthens the chain of payment services provision, which from the safety perspective increases its vulnerability;
- consumer protection must be ensured at a high level, despite the simplified requirements for non-banks on the part of the regulators;
- competition between banks and non-banks should be balanced, and non-banks should be provided an equal with the other participants access to the market of payment services.

Given that non-banks can provide a wide range of services referring to the competence of various regulators, the scope of the latter's responsibilities in relation to non-banks should be strictly defined.

Non-banks can provide services in different countries, so it is important to provide the opportunity of the regulators' international interaction.

The regulation of non-banks is carried out not only by central banks but also by other authorities that supervise banks, consumer protection authorities, competition authorities, telecom regulators, law enforcement agencies and/or specialised bodies within the different ministries of economy or finance.

The study showed that in different countries different approaches to the regulation of non-bank activities are applied. Among them, getting a banking license (either voluntarily or in accordance with the regulatory requirements) or a license, other than a banking license; registration of non-banks without follow-up or supervision; supervision and monitoring of non-banks; interaction with the regulator, for example in the provision of information, based on voluntary co-operation rather than regulatory requirements. In some countries, in the case of involvement of a non-bank institution into an outsourcing agreement, it can be covered by the same requirements as the involving organisation. In the global practice, there are also cases of the absence of any regulation of non-banks.

¹ See: CPMI publication 'Non-banks in retail payments' (<http://www.bis.org/publ/cpmi/publ/d118.pdf>).

As part of the overseeing mandate in the national payment system, the Bank of Russia continued the sample survey (started in 2013) of payment agents (PAs) and bank payment agents (BPAs) (hereinafter jointly referred to as agents). In 2013–2014, the sample survey conducted in the Russian Federation was attended by 6,582 PAs (47.0% of the total number of PAs served by funds transfer operators) and 1,368 BPAs (67.2% of the total number of BPAs involved by funds transfer operators). In favour of the said entities of the national payment system, 667 funds transfer operators opened respectively 15,167 and 1,349 special bank accounts. The average number of special bank accounts opened by agents with funds transfer operators was the following: 2.3 accounts per one PA and one account per one BPA.

In 2013–2014, PAs mainly accepted cash from individuals to pay for public services, services of mobile operators, the 'Internet', television and other services.

Chart IV.1. Number of agents, by federal district

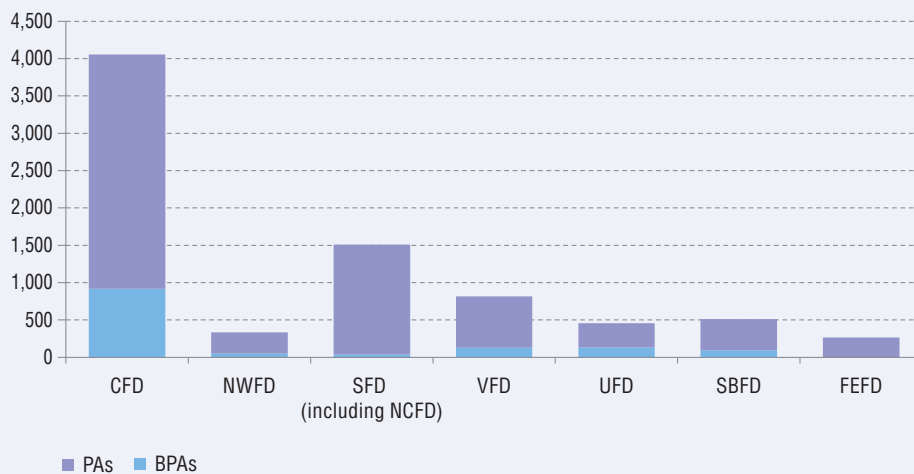


Chart IV.2. Number of special accounts opened by agents with funds transfer operators, by federal district

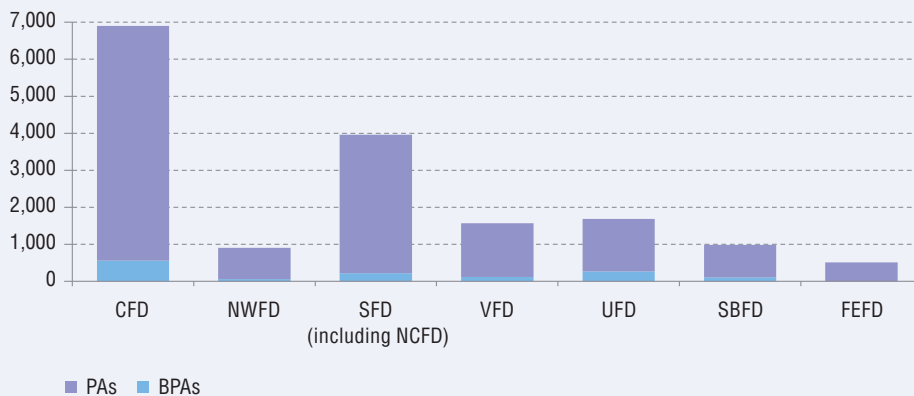
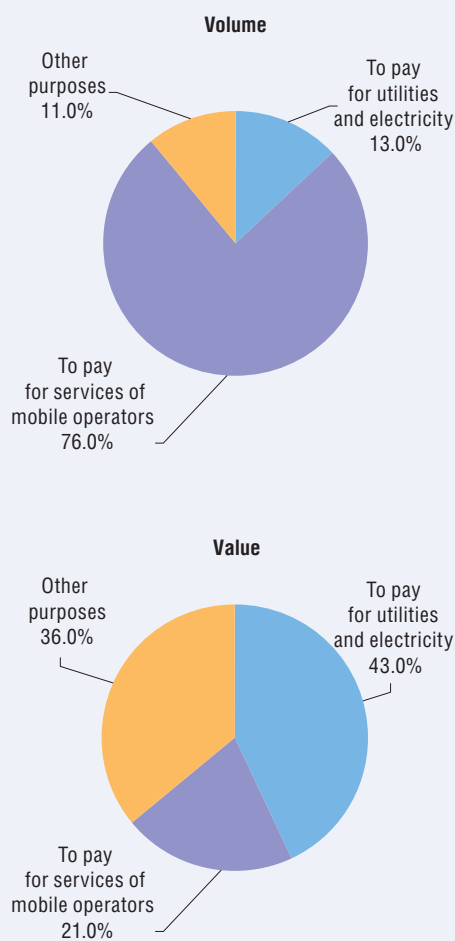


Chart IV.3. Purposes of individuals' payments accepted by payment agents

BPAs were involved by funds transfer operators to provide services of receiving cash from the population for making transfers in favor of individuals, repayment of loans, payment of utilities, services of mobile operators and other services.

The services most frequently provided by PAs to the population were those of receiving cash for the payment of municipal services (43% of the total value of payments), BPAs – for funds transfers in favor of individuals (29%).

In 2014, payments of individuals made through the agents covered by the survey amounted to 1.8 trillion rubles for PAs and 772.8 billion rubles for BPAs (increased in comparison with 2013 year by 15.8 and 25.9% respectively), which is generally indicative of a favorable legal and economic conditions for doing retail business by agents, as well as of the continuous growth of demand for the payment services provided by them.

In payments, accepted by payment agents, there was registered a decrease (by 14.4%) in the volume of transactions with a simultaneous increase in their value (by 15.8%). The average amount of transactions in the reporting period increased by 35.2% as compared with 2013 and made 892 rubles, which may indicate to the willingness of individuals – paying agents' customers to increase one-off payments for the purpose of minimizing the commission fee charged by payment agents.

A marked increase (by 19.8%) was observed in 2014 in the number of operations, accepted by bank payment agents. The average payment in the reporting period increased by 5% compared to 2013 and amounted to 1,885 rubles.

The reasons underlying the positive dynamics are the convenient location and the round-the-clock operation used by bank payment agent of the payment infrastructure entities, increase in the number of suppliers and a list of services, the payment of which is possible with the involvement of BPAs. Many state and local government agencies as well as commercial organisations concluded appropriate contracts with bank payment agents for receiving payments from individuals for the purpose of payment of traffic fines, taxes, services of FSUE 'Rostehinventarizatsiya' parental contributions (kindergartens, schools), etc.

High popularity among the population was gained by money remittances to pay for on-line purchases, replenishment of the electronic wallet, payment for gaming and entertainment through services offered by BPAs. Increase in the volume of payments for the Internet services and television was due to an increase in the number of users of these services and the growing number of Internet service providers, as well as the television companies.

The greatest value of individual payments made through agents in 2014 was registered in the Central Federal District (57 and 79% for PAs and BPAs respectively) and the smallest value – in the Far Eastern Federal District (1 and 0.1% for PAs and BPAs respectively).

The agents' infrastructure was dominated by self-service devices (payment terminals).

However, the bulk of the operations in 2014 were carried out through cash offices of PAs and BPAs (42.5 and 41.9%, respectively).

To accept payments from individuals, agents used innovative tools and technologies, examples of which include:

- the use of a fiscal data recorder in combination with Payment Module software, able to register the funds received;
- automatic identification of a payee by agents using the barcode;
- advanced software used by agents to accept payments via the Internet and mobile devices.

During the survey the agents reported the following main obstacles to their activities:

- emergence in the services market of new payment methods, which reduce the value of payments received through payment terminals;
- active development of services in the banking sector;
- lack of high-quality Internet services in small communities hampers the organisation of payment accepting points;
- lack of universal rules for agents activities within the industry and the infrastructure as a whole in the form of recommendations, standards and certification of specialists;
- low level of financial literacy among the population;
- distrust of the population with regard to the activity of PAs in terms of the security of the services they provide.

These factors are confirmed by complaints of agents' customers that are mainly associated with insufficient coverage of regions by agent payment accepting points, the absence of the agents regulated operation procedures for handling the citizens

Chart IV.4. Purposes of individuals' payments accepted by BPAs

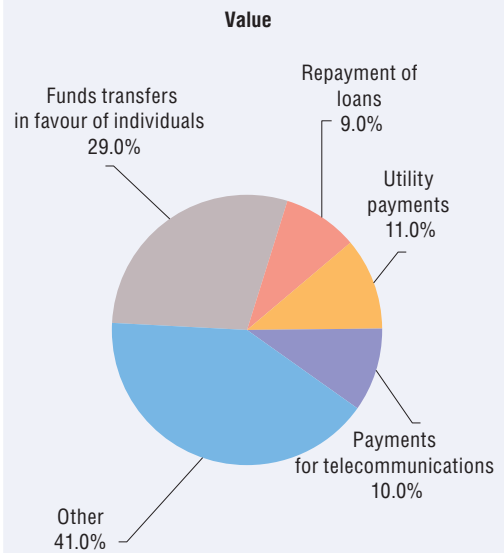
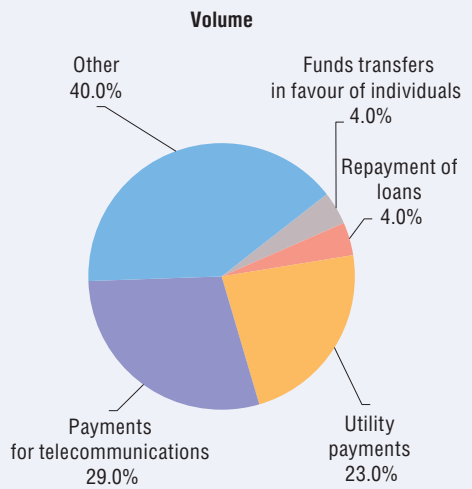


Chart IV.5. Value of agents' operations, by federal district

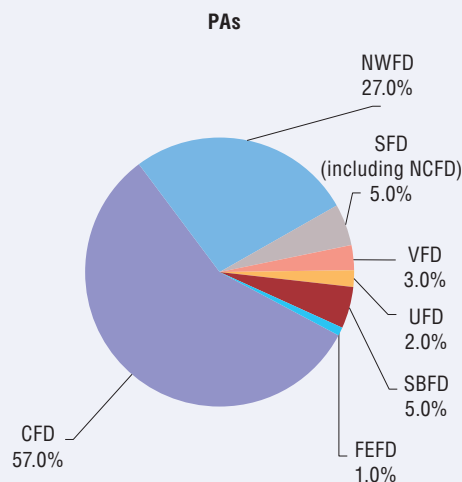
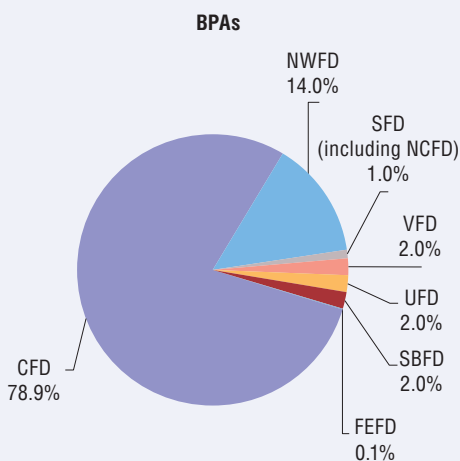
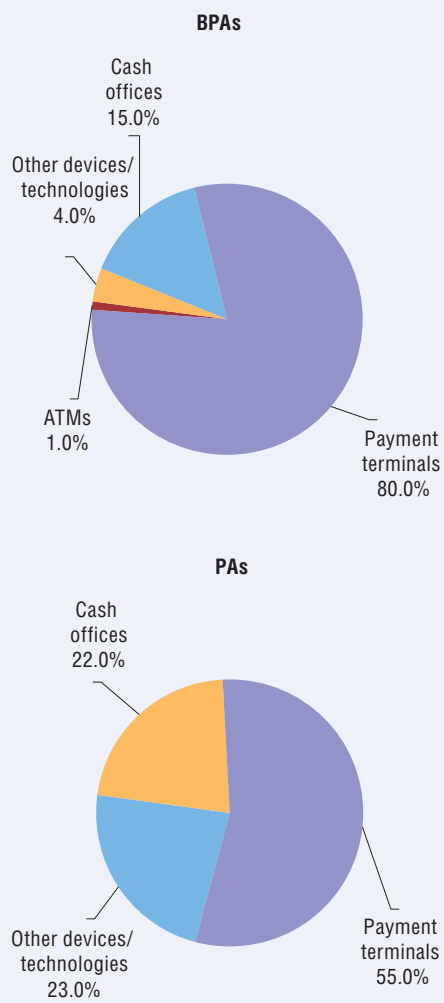


Chart IV.6. Agents' infrastructure

complaints, the complexity of identifying and of interaction with the payment agents, the timing of payments by PAs.

PAs are focused on such directions of their activity as the promotion of the payment method through the Internet, the search for sub-agents with a wide geographical presence, the acquisition and installation of additional payment terminals, modernization of payment receiving equipment. Bank payment agents focus in their activity on increasing the sales outlets and a flexible tariff policy.

CHAPTER V. THE RUSSIAN POST

In accordance with the Federal Law No. 176-FZ dated 17 July 1999 'On Postal Communication' the FSUE 'Russian Post' provides services of postal remittances associated with receiving, processing, transportation (transfer) and delivery (handing out) of cash through the postal and telecommunication networks. Services of postal remittances are provided in accordance with the Rules of Postal Services approved by the Russian Federation Government's Decree No. 221 dated 15 April 2005 'On Approving Postal Service Rules'.

In 2014, the Russian Post effected 67.8 million postal remittances amounting to 297 billion rubles⁴⁴. Their volume and value decreased by 10.2 and 10.7%, respectively, as compared with 2013. The average amount of a postal remittance in 2014 amounted to 4,381 rubles, changing slightly against 2013 (4,406 rubles).

98.1% of postal remittances by volume and 97.4% by value were made within the Russian Federation. In the total volume of domestic postal remittances the largest share fell on the Central Federal District (27.5% in volume and 43% in value), and the smallest share – on the North Caucasus Federal District (3% in volume and 2.3% in value)⁴⁵.

The demand of the population for international postal remittances remains insignificant compared with those inside Russia. In 2014, 1.3 million of these transactions in the amount of 7.9 billion rubles were carried out (1.9% of the total volume and 2.6% of the total value of postal remittances), with an average amount of one remittance amounting to 6,100 rubles.

In the structure of postal remittances, carried out in 2014, the largest share by volume (63.7%) and value (37.1%) was made by postal remittance of individuals to legal entities.

The Russian Post sets much store on the development of service of postal remittances of funds and is continuously improving it, modernizing the respective technology.

As part of the service 'Postal remittance within Russia' using the technology of the Unified postal transfer system in March

⁴⁴ Including postal remittances by legal entities.

⁴⁵ Excluding the Crimea Federal District.

2014 the Russian Post started accepting postal remittance addressed to the Republic of Crimea and the federal city of Sevastopol.

In late 2014, there was organised the delivery of postal items with cash on delivery (COD) and the acceptance of COD postal remittances at all post offices in the Chechen Republic.

Since 2014 the Russian Post within the framework of the International Financial System of the Universal Postal Union performs the exchange of international electronic postal money remittances:

- with the State Enterprise 'Kyrgyzpochtasy', the Kyrgyz Republic;
- with 'Kazpost' JSC, Republic of Kazakhstan (actively used postal remittances: from individuals in cash to the settlement accounts of legal entities, including COD postal remittances from Kazakhstan to Russia);
- with the State Enterprise 'Post of Serbia', Republic of Serbia (the following remittance categories are possible: from an individual in cash to an individual in cash; from an individual in cash to a legal entity in cash; from a legal entity non-cash to an individual in cash).

The activity of the FSUE 'Russian Post' as a payment agent

Along with the service of postal remittances the FSUE 'Russian Post' in accordance with the Federal Law No 103-FZ dated 3 June 2009 'On the activity of receiving payments of individuals, carried out by payment agents' provides payment receipt services for individuals as a payment agent.

Receiving payments in favor of third parties (for utilities, telecommunication and mobile services, Internet and cable TV, a variety of state duties, fines, etc.) remains one of the core directions of the Russian Post financial activity.

Currently, the offices of the Russian Post receive all of the most popular types of payments, including the receipt of payments for the services of kindergartens, schools, reception of traffic fines (65 branches of the Russian Post receive fines), utility payments, etc.

In 2014, the Russian Post as the PA received from individuals 602.4 million payments (3.2% growth compared with 2013), amounting to 372.6 billion rubles (0.3% decrease compared with 2013). Payments were made only within the Russian Federation. The average payment decreased slightly – from 640 to 618 rubles.

Almost all the payments were made through a post office employee (99.6% by volume and 99.8% by value). Only a small portion (0.4% by volume and 0.2% by value) were carried out through payment terminals.

Out of every 100 payments by individuals accepted by the Russian Post as the payment agent, 72 payments were utility payments, 9 – payments for services of mobile operators, 19 payments – for other purposes.

The activity of the FSUE 'Russian Post' as a bank payment agent

In accordance with the requirements of the Federal Law No. 161-FZ dated 27 June 2011 'On the national payment system', the Russian Post can be involved by credit institutions as a bank payment agent.

In 2014, the volume and value of operations carried out by the Russian Post as a BPA amounted to 4.3 million transactions worth 5.8 billion rubles.

In 2014, 29.6% of the total volume and 28.9% of the total value of payments and transactions⁴⁶, carried out by the Russian Post as a PA and a BPA were in the Volga Federal District, 21% of the total volume and 24.9% of the total value – in the Central Federal District, 49.4% of the total volume and in the rest of the federal districts – 46.2% of the total value⁴⁷.

⁴⁶ Hereinafter, the payments and transactions are understood, as respectively:

- information on payments by individuals accepted as payment agents by the Russian Post in accordance with the Federal Law No 103-FZ dated 3 June 2009 'On the activity of receiving payments of individuals, carried out by payment agents';
- information on transactions made by the Russian Post in the capacity of a bank payment agent in accordance with the Federal Law No. 161-FZ dated 27 June 2011 'On the national payment system'.

⁴⁷ Excluding the Crimea Federal District.