Bank of Russia

RUSSIAN FINANCIAL MARKET DEVELOPMENT PROGRAMME FOR 2025–2027

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INTRODUCTION

In 2023–2024, the Russian financial market continued to develop under external restrictions. The approaches chosen to preserve the market principles and the openness of the Russian economy played the key role and thus ensured the flexibility and adaptability of the system in a changing environment. The phasing-out of the regulatory easing introduced in 2022 was completed to a considerable extent. Financial institutions remained resilient in the new realities. Structural changes in the Russian economy require significant resources that, in the medium term, can be provided primarily from internal sources. The financial market should contribute to the formation of such resources by transforming savings into investments.

The Russian Financial Market Development Programme for 2025–2027 (Programme 2025-2027) is the main medium-term document on the development of the domestic financial market. This document reveals the main goals, principles and areas of the financial market development policy as well as the key objectives that the Bank of Russia will address collaboratively with the Government of the Russian Federation.

The Russian Financial Market Development Programme is prepared annually. Nevertheless, Programme 2025–2027 remains in line with Programme 2024–2026 which have already taken into account to a great extent the new reality and challenges facing the Russian economy today. Preparing this document, the Bank of Russia took into consideration the comments and suggestions from financial market participants and the business and expert communities.

Programme 2025–2027 identifies five key financial market development areas, namely, enabling a stronger role for the financial market in financing the economy transformation while maintaining the resilience of the financial sector; financial consumer and investor protection, enhancing financial inclusion for households and businesses; digitalisation of the financial market and payment infrastructure development; transformation of the system of foreign trade payments and settlements; ensuring financial stability.

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

Digitalisation of the financial market remains relevant as well, therefore requiring continued work to improve the necessary legal regulation and promote the conditions for safe implementation of digital and payment technologies. Besides, it is important to develop and adapt technologies, including equipment and software, taking into account current import and maintenance restrictions for such goods imposed on Russia.

Another significant area of work is development of foreign trade and financial relations with partner countries, as well as necessaryfinancial infrastructure, mechanisms and regulation.

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

The financial market is an essential part of the economic system and its development largely depends on the development model of the Russian economy and approaches to meeting the challenges it faces. The Bank of Russia and the Government of the Russian Federation contribute to the development of the financial market, first of all, by creating the necessary conditions for this. Along with a wide range of instruments and a well-structured regulatory system, the financial market development also requires the protection of property rights, an effective judicial system, a competitive environment, lower administrative barriers and predictable tax conditions. However, the contribution of each market participant and the willingness of financial institutions and businesses to adapt to rapidly changing conditions, develop the necessary solutions, build long-term relations with clients, create an environment of confidence, improve the quality and increase the value of financial products, instruments and services provided are critical for the development.

This document was prepared based on the following:

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

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

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

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

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

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

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

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

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

The role of the financial market in economic development

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

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

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

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

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

By performing the function of transforming savings into investments on market terms, the financial market contributes to the efficient distribution and use of resources in the economy. Decisions of financial institutions and institutional and private investors on debt and equity financing and the investment term are made based on a large number of factors. There is a need for a broad range of financial instruments to meet economic agents' demand for financial services and solutions as well as a structured system of regulation in the financial market. Both financial institutions and non-financial organisations should ensure their stable operation and transparency, devise a clear business development strategy and aim to build long-term relations of confidence with financial consumers and investors. All this helps to form an environment of trust in the financial market. Along with the factors mentioned, the sustainable development of the financial market, the confidence of all economic agents and the possibility to plan ahead largely depend on the general economic and institutional conditions in the country, including price and financial stability, sustainability of public finance, the incomes of parties to economic relations and their ability to make savings, predictable tax conditions, a competitive environment, lower administrative barriers, the protection of property rights and the efficiency of the judicial system.

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

The financial market enables consumers of financial services to effectively meet their personal needs, including through the redistribution of income over time and the management of their savings, investments, expenses and risks, according to their goals. Using savings, investment and borrowing instruments wisely, individuals can effectively address issues, such as the purchase of housing and durables, maintain a certain level of consumption in case of income fluctuations and after retirement and savings for covering large expenses in unforeseen situations. Besides, depending on their preferences and needs, individuals can choose instruments with different investment terms, risk profiles, profitability and liquidity.

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

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

To use capital market instruments effectively, it is necessary to obtain special knowledge and skills, which helps navigate existing investment instruments and select optimal products, taking into consideration the risk-return ratio and investment goals. Therefore, unqualified investors who do not wish or have no opportunities to plunge into the specifics and context of transactions in the financial market should opt for passive investment strategies or transfer funds to professional financial market participants for trust management or use the services of investment advisers.

Alongside savings and investments, households can also apply for loans and microloans to meet their current need for goods and services using future incomes as well as start the implementation of major personal and family plans, such as purchasing real estate or financing education, earlier. However, borrowing instruments contribute to the well-being of individuals only if the latter maintain financial discipline and prevent excessive debt growth compared to income.

The financial market provides risk management instruments to participants in economic relations. Such financial instruments primarily include various types of insurance and derivatives. They allow enterprises and entrepreneurs to mitigate uncertainty in their operations, and households – to take advantage of risk insurance services in various life circumstances. Users need to understand the nuances of insurance (hedging) instruments to be able to apply them to achieve their goals and objectives to mitigate potential losses. It is essential that financial intermediaries offer products to their customers taking into account their preferences and risk profile.

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

In terms of building confidence in the financial market, the following factors are important:
– confidence in the national currency, which is ensured by price, financial and macroeconomic stability in general;
– financial institutions' resilience and high quality of financial services they offer;
– protection of the rights of financial consumers and investors, including minority shareholders who can be both private and institutional investors and respect for the property rights of bona fide purchasers;
– a high level of corporate governance and relations in issuers;
– a high level of protection against unfair practices and fraud;
– availability of accessible, high-quality and trustworthy information in the financial market about both its participants and general market indicators and about macroeconomic data on the financial sector and the economy as a whole used for analysis and decision-making;
– uninterrupted functioning of the infrastructure; and
– knowledge of financial market instruments and understanding of the options they provide and related risks.

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

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

The role of macroeconomic stability in financial market development

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

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

[2] For details about monetary policy, refer to the MPG 2025–2027.

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

However, the capital controls, which had played a certain role in maintaining financial stability during the acute phase of the sanctions in 2022, were largely lifted, taking into account the costs for individuals and businesses and the difficulties for foreign trade and financial settlements that they create. Those restrictions that are still in place can be justified as a counter-sanction measure in response to hostile actions of certain countries. Nevertheless, it is necessary to comprehensively assess the costs for businesses and the development of the economy as a whole, the confidence of national and foreign investors and the scale of the real counter-sanction effect of such restrictions. Generally, capital controls should be limited in time, and in the future, as the economy adapts, they should be cancelled so as not to create obstacles to foreign economic activity.

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

Opportunities and limitations of the financial market

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

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

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

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

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

Goals of financial market development policy

To contribute to Russia's economic development and enhance the economy's structural transformation, **the Bank of Russia has identified the following medium-term goals of the financial market development policy that maintain continuity with the goals** set out in Programme 24–26.

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

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

Creating the conditions for the implementation of innovations in the financial sector, the digitalisation of economic relations, including the introduction of the national currency's digital form (the digital ruble), remains crucial. Besides, it is important to consider current trends in the financial market, such as the emergence of ecosystems and the blurring of the boundaries between the financial and other sectors of the economy, the development of AI and outsourcing, which, among other things, reduce the costs for financial market participants. Moreover, the sustainability and climate risk management agenda remains important for Russian business, setting new objectives in the development of the Russian financial market and the entire economy, including those related to the creation of the necessary tools, infrastructure, and legal framework for financing the transition to a low-carbon economy.

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

This goal remains particularly relevant when the role of domestic sources of funding for economic development, including funds from retail investors, is increasing. Strengthening individuals' confidence in the capital market and protecting the rights of investors and financial consumers are crucial for the financial market to perform its function of transforming savings into investments. Besides, it is important that financial consumers have access to the whole range of necessary savings and investment instruments for various periods, considering their goals and needs.

Furthermore, this goal has its specificity in the context of the long-term digitalisation trend, which is accompanied by changes in the way financial products and services providers and consumers interact, a shorter customer path, and the opportunity for retail investors to quickly access higher-risk financial market segments where investing requires special skills. With the introduction of new technologies, financial consumers must be increasingly proficient in the use of modern devices and remote channels, while the risks of digital inequality are growing. The safety of products offered to consumers (investors) and the quality of their promotion in the market are gaining particular importance. New types of fraud and unfair practices are emerging, which requires the improvement of methods for countering them. Under these circumstances, it is essential to further adjust the mechanisms for protecting the rights of retail investors and financial consumers, in particular through the use of AI and robotisation of consumer–financial institution relations (M2M finance), and enhancement of investment, digital and financial literacy. For financial market instruments to be used correctly and become more accessible for induviduals and businessess, it is important to understand their nuances, including the related risks and opportunities provided.

3. Ensuring financial stability and financial market resilience, in particular under the stress conditions.

It is important to maintain the resilience of the financial sector amid new financial stability challenges related to geopolitical risks, the tendency towards the global financial and economic system fragmentation, and declining confidence in the historical mechanisms of its functioning. Additionally, an emphasis should be placed on the systemic risks relating to the stability of the global economy and financial markets in case of persistent elevated inflation and to the long periods that the main central banks need to bring the policy rates down to their neutral levels. The risks that might arise due to fast deployment of new technologies in the financial market and the economy in general should also be monitored and examined. Under these circumstances, it might be necessary to adjust the financial stability policy approaches and tools.

These goals take into account the realities and key challenges related to the economy entering the phase of large-scale structural transformation as well as the relevant trends in the economic, technological, social, and other areas of public life both in Russia and worldwide.

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

Principles of financial market development policy

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

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

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

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

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

It is critical to increase confidence. Confidence is built on the stability and transparency of financial institutions and non-financial organisations, consumer and investor protection, development of the culture of interaction primarily based on ethical principles and good-faith behaviour of the parties involved as well as on macroeconomic and institutional factors, such as price and financial stability, protection of property rights and efficient judicial system.

3. A proactive approach to the financial market development that takes into consideration key internal and external trends and factors. The priority of strategic development over tactical decisions.

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

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

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

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

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

Recognising that professional financial market participants play a key role in its development, the Bank of Russia attaches great importance to the activities of their associations and SROs. The real economy's demand for services and solutions is an equally important factor for the financial market development. Therefore, the Bank of Russia closely cooperates with the associations of representatives of both financial and real sectors of the economy when developing and implementing its measures, including through public consultations, conferences and other formats of discussion with the expert and professional community as well as collection and discussion of market participants' initiatives.

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

When developing and implementing the Programme 2025-2027, the Bank of Russia takes into account the national development goals of the Russian Federation[3] and the strategic planning documents of the Government of the Russian Federation, adjusted for possible changes in the internal and external environment occurring after their approval. In particular, when preparing the Programme, the Bank of Russia takes into account the Strategy for the Development of the Financial Market of the Russian Federation Until 2030 prepared jointly with the Government of the Russian Federation.[4] The Programme 2025-2027 is a top-level medium-term document stipulating the development goals and priority areas and thus setting the key priorities for the Bank of Russia's medium-term sectoral and thematic documents related to the financial market development that describe the relevant areas in greater detail. The Bank of Russia also maintains continuity with similar documents of previous years, which is important for the consistency of the policy pursued.

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

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

[3] Executive Order of the Russian President No. 309, dated 7 May 2024, 'On the Development Goals of the Russian Federation Through 2030 and for the Future Until 2036'.

[4] Approved by the Decision of the Bank of Russia Board of Directors, dated 28 November 2022, and adopted by Directive of the Government of the Russian Federation No. 4355-r, dated 29 December 2022 (as amended by Directive of the Government of the Russian Federation No. 3753-r, dated 21 December 2023).

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

When developing and introducing regulatory and supervisory requirements, the Bank of Russia takes into consideration not only the immediate goals and expected effects of their implementation but also compliance cost for the market participants. The Bank of Russia expands the use of data and analytical tools when making its regulatory and supervisory decisions. The Bank of Russia actively expands the use of advanced digital technologies in cooperation with supervised financial institutions (SupTech[5] and RegTech[6]), which helps reduce market participants' costs, among other things.

The Bank of Russia applies a release approach providing for the introduction of new measures usually no less than six months after the publication of the relevant regulatory documents unless special circumstances[7] require an immediate response. This approach enables financial institutions to prepare in advance for changes and embed regulatory innovations in their business processes.

The Bank of Russia forms regulatory requirements proportionate to the scale and complexity of market participants' activities. The priority is given to identifying and preventing the materialisation of risks in the activities of financial institutions at early stages, which helps prevent the accumulation of problems that might entail significant losses for both consumers and providers of financial services. Considering the dramatic changes in the situation, the Bank of Russia put a strong focus on regulatory easing aimed at market participants' adaptation, at the first stage, to the increasing volatility of the financial market in 2022 and elevated uncertainty in business decision-making and, then, to the timely phasing-out of this easing. As the economy adapts to the new realities, regulatory changes are coming to the fore, aimed at taking into account the financial market's experience of 2022 in the regulation and creating conditions for the sustainable development of the financial sector.[8]

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

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

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

8. Development of international relations and integration processes.

The Russian financial market continues to be part of the global financial market. Large-scale objectives to reorientate and strengthen international economic relations remain relevant.

In addressing the strategic objectives of the development of the financial market, the Bank of Russia, together with the Government of the Russian Federation, is actively working with foreign regulators and market participants. These efforts are aimed at overcoming the existing restrictions and creating

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

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

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

[8] These issues are set out in more detail in Section 3 'Areas for the Development of the Russian Financial Market', Area 1 'Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the resilience of the financial sector', Objective 7 'Ensuring the resilience and regulatory development of financial institutions'.

conditions for the development of a system of international settlements, infrastructure, tools and legal conditions that meet the challenges and needs of the new environment.

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

The Bank of Russia considers it necessary to take into account and implement the best international standards in the regulation,[9] which, among other things, contributes to building relationships with friendly countries for which such practices are understandable and proven approaches.

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

Instruments of financial market development policy

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

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

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

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

The Bank of Russia contributes to the development of the financial market, promoting the formation of predictable macroeconomic conditions by ensuring price and financial stability. Monetary policy pursued within the framework of the inflation targeting regime and macroprudential policy aimed at maintaining financial stability influence the development of the financial market. Nevertheless, monetary and

[9] Including in the field of sustainable development.

macroprudential policy instruments are not intended specifically for stimulating the financial market development and are not used for this purpose outside the scope of these policies. Otherwise, it would have significant negative implications for achieving the objectives of price and financial stability and, as a consequence, for the sustainable development of the financial market and the economy.

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

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

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

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

As regards the development of the national digital infrastructure, the Bank of Russia and the Government of the Russian Federation are guided by the three key principles. They mainly focus on the implementation of the projects that are in demand among households and businesses but cannot be implemented by most market participants independently. The implementation of such projects should contribute to the financial sovereignty and the development of competition in the financial market. The access to the data in public information systems is becoming increasingly important for the development of financial products and services.

In order to ensure the independence of Russia's financial infrastructure, systemic resilience and competitiveness of the national financial market, the Bank of Russia continues to participate in a number of infrastructure organisations of the financial market, including Moscow Exchange, NPCS and RNRC.

The Bank of Russia uses, in the first place, a preventive approach aimed at identifying and eliminating risks at early stages. To ensure financial stability, if necessary, the Bank of Russia uses instruments for the financial rehabilitation of financial institutions.

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

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

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

Information policy and interaction with market participants play a critical role in ensuring a clear understanding of the goals, plans and steps of the Bank of Russia and the Government of the Russian Federation as well as assessing the trends and results of the financial market development. This guides financial institutions when they arrange their activities. Regular communication with both consumers and providers of financial products and services increases the transparency of the policy pursued, which enhances confidence and the effectiveness of the measures taken. An important element of communication is also a mutual information exchange with market participants, which allows the Bank of Russia and the Government of the Russian Federation to receive feedback, identify needs, and further evaluate the processes in the financial market in order to take them into account when elaborating measures for its development.

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

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

The Russian financial market has generally adjusted to the new conditions, retained its resilience and continues to perform its key functions, facilitating the structural transformation of the economy. The stable functioning of the financial market is supported by the measures taken in previous years to improve the resilience of financial institutions, financial institutions' accumulated capital buffers, removal of unstable and unfair financial intermediaries from the market as well as creation of an independent payment and settlement infrastructure. In such conditions, the regulatory easing introduced in 2022 was largely cancelled, with the Bank of Russia continuing to implement the measures to develop the financial market and support its resilience, taking into account the rapid growth of its individual segments, among other things.

The expansion of the financial market and development of its core segments continued in 2024, following the 2023 trend. The assets of financial institutions amounted to ₽243.85 trillion by early October 2024, having increased by almost 17.4% over the year. The annual growth rate of NFIs' assets equalled almost 16.7% and that of banks' assets reached 17.6%.[1] Banks still account for the largest portion of financial institutions' total assets. The distribution of assets between banks and NFIs as of the end of September 2024 was similar to the 2023 figures, with banks accounting for 76.7% (vs 76.6% as of October 2023).

Both corporate and retail loan portfolios expanded significantly. The corporate loan portfolio increased by 21.8% (to ₽84.2 trillion) over the 12 months preceding October 2024, mortgage loans – by 21.7%[2] (to ₽19.8 trillion), and consumer loans – by 15.7% (to ₽15.4 trillion).

In 2024, lending was fuelled mainly by loans to the segments that are the least sensitive to the interest rate fluctuations, such as the housing construction sector where rates are lower due to sufficient balances in escrow accounts and the ongoing funding of the investment projects launched earlier.

Furthermore, the portfolio of TS and SAE projects within the Taxonomy approved by the Government of the Russian Federation continued to expand.[3] As of early November 2024, the special register included 27 TS and SAE projects with the total budget of ₽1 trillion. Along with the incentive-based regulation that has already been introduced, the potential for lending to priority projects could be boosted by additional measures of government support.

As for the expansion of working capital lending, it is triggered by longer supply chains and an extended production cycle amid more complicated settlements for export and import transactions. In general, owing to sustainable revenues, companies can repay loans even at higher rates and expand their business.

Demand for mortgage and consumer lending was supported by higher household incomes, steadily high consumer activity and the expectations that the government subsidised mortgage lending programmes would be terminated. Banks were lowering their lending standards. To limit households' over-indebtedness and encourage the redistribution of lending towards less risky categories

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[1] Hereinafter, the growth rates of the banking sector indicators are provided adjusted for the changes in the exchange rate according to the credit institutions operating as of the reporting date (including the merged ones).

[2] Adjusted for securitisation.

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

of borrowers, the Bank of Russia consistently implemented macroprudential measures: raised macroprudential add-ons for consumer loans, established tighter MPLs and lifted the moratorium on limiting the TCC.[4] Concurrently, to support mortgage lending, the regulator decided not to limit the TCC for mortgage loans from 10 October 2024 through to 31 March 2025. The risks of borrowers' heavier debt burden will be limited by the existing macroprudential add-ons. The Bank of Russia was also involved in adopting the legislative amendments mitigating the risks of the application of variable loan rates for microenterprises and individuals and establishing the creditors' obligation to inform borrowers about the risks associated with variable interest rates before concluding a loan agreement.

Attractive deposit rates continued to encourage the inflow of funds to bank deposits. Household funds were up by 27.2% (to ₽52 trillion) over the 12 months by early October 2024. Legal entities' funds increased by 15% (to ₽57.2 trillion) over the same period.

To foster the saving habit of low-income individuals, a new type of deposits – a social deposit[5] – was included into banks' product ranges. Its terms and conditions provide for a guaranteed income at an interest rate linked to the maximum interest rate on household deposits for up to one year, raised by a credit institution.

The bond market shows positive dynamics. By early November 2024, the total amount of bonds in circulation at the nominal value increased by 14.9% year on year, reaching ₽48.9 trillion. The amount of corporate bonds in circulation was growing faster than that of government bonds. As a result, their share was up by 4.2 pp, reaching 54.8%. In general, the growth rate of the corporate bond portfolio since the beginning of 2024 was comparable with the median value for 2014–2021. As for the borrowings of non-financial organisations, bonds accounted for 11.7% of the raised funds by mid-2024.

Businesses demonstrate demand for equity financing. The number of companies going public (IPO/SPO) increased: 19 public offerings (a 10-year high) had been held by early December 2024 vs 12 in 2023. These were businesses from a wide range of sectors (technologies, healthcare, education, transport, leasing, real estate, financial services, etc.). The profile of issuers has changed, with predominantly small enterprises entering the market. From early 2023, the average issue volume on Russian stock exchanges equalled ₽8.1 billion (between 2018 and 2022, 19 public offerings were held, while the average issue volume was significantly higher – ₽22.5 billion). Contrastingly, over the first 11 months of 2024, SMEs conducted seven public offerings (six IPOs and one SPO) worth ₽27 billion, including four issues of a high-tech company in the amount of ₽13.33 billion (vs ₽8.63 billion over the first 11 months of 2023).[6] However, the stock market capitalisation is still below the early 2022 levels (₽62.6 trillion), amounting to around ₽47 trillion by early December 2024.

The inflow of household funds to the capital market continued. Individuals' funds in brokerage accounts and trust management amounted to almost ₽11.4 trillion by early October 2024, having increased by 5.4% year on year, with 84% of these assets being in brokerage accounts and 16% – in trust management (the proportion remained unchanged relative to September 2023). The number of retail investors reached 45.9 million, which accounts for over a half of the economically active population. The share of retail investors in total trading remains high (around 76% in November 2024). To encourage private investors to invest long-term in the capital market, the set of long-term instruments for private investors was supplemented with the IIA of type III and the LSP that are subject to a tax deduction for individuals' long-term savings. The Russian Government together with the Bank of Russia takes measures to increase households' awareness of the said products.

[4] Before 30 June 2024, the TCC was not limited depending on the average market values to enable creditors to determine the terms for granting loans and certain categories of microloans taking into account the changes in the market conditions.

[5] Federal Law No. 202-FZ, dated 22 July 2024, 'On Amending the Federal Law 'On Banks and Banking Activities'.

[6] In 2023, one of the two SME offerings was conducted by an issuer included in the Unified Register of SMEs, being also, however, a member of a group of companies with revenues exceeding ₽2 billion as of the end of 2022.

Institutional investors' portfolios resumed growth. The portfolio of NPFs' pension savings and pension reserves as well as insurers' assets expanded by 5% and 18.6% year on year, respectively, amounting to ₽5.35 trillion and ₽6.1 trillion by late September 2024. Owing to the specificity of their obligations, NPFs continued to stick to conservative strategies, which explains why government and corporate bonds prevail in their portfolios. The proportion of shares in NPFs' total investments remained almost unchanged over a year. To encourage NPFs to participate in IPOs, the regulator has updated the requirements for the proportion of shares in the total offering volume, which an NPF may purchase, and for the aggregate value of shares traded on-exchange that can be purchased by NPFs.[7] Taking into account the regulatory limits, there is still potential for NPFs to invest in shares. The portfolio of UIFs, characterised by a more diversified investment structure, expanded by 47% year on year to ₽14.9 trillion by late September 2024.

High-quality and trustworthy information about market participants, issuers, and instruments is crucial **for creating an environment of confidence in the market**. In particular, the Bank of Russia has already adopted recommendations on information disclosure about the allocation of shares by issuers.[8] The 2023 trend towards issuers recommencing disclosure of financial statements and other information important for investors continues. Allowable exceptions to be kept only for sensitive information regarding beneficiaries, owners, members of management bodies and contracting parties to limit sanction risks have been determined. The development of the requirements for dividend policy disclosures by public companies[9] is still underway, which should make shares a more transparent investment instrument.

In general, the Russian financial market has the potential for economy-wide growth, primarily on account of the capital market, as international experience indicated. Currently, the banking sector continues to play a significant role as its assets exceed 95.5% of GDP, which is comparable to many countries. Contrastingly, Russian non-bank financial intermediaries' assets still total less than 30% of GDP. For reference: in India and China, whose indicators in this segment are closer to Russia among the BRICS countries, the assets of pension funds, UIFs and insurers exceed 40% of GDP. The number of public offerings in the Russian market does not exceed 20 per year, in contrast to other countries where there are hundreds of them. The potential for developing bond financing has not been exhausted either: the value of the bond market in India (which is the closest BRICS country to Russia in terms of this indicator) exceeds 50% of GDP, which is almost twice as much as in Russia.

Since late 2023, banks have been moving away from lending in the currencies of unfriendly countries, with the currencies of friendly states becoming more significant. In 2024 H1, Russian banks started to grant foreign currency loans more actively, which was due to the tightening of monetary conditions and more beneficial rates on loans in the currencies of friendly countries. However, in August–September 2024, the growth in foreign currency lending stopped amid limited foreign currency liquidity in the Russian market.

To maintain financial stability in the FX market amid sanctions on Moscow Exchange, the Bank of Russia has expanded the daily limit for its FX swaps, enabling trading participants to raise yuan liquidity on a daily basis within the established limits. As certain trading participants are reducing the supply of yuan on the exchange while demand for them is growing, banks have increased their demand for the Bank of Russia's yuan swaps since June 2024 in order to regulate the OCP. In order to mitigate the

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[7] Bank of Russia Ordinance No. 6732-U, dated 22 May 2024, 'On Amending Bank of Russia Regulation No. 580-P, Dated 1 March 2017' (with respect to NPFs' pension savings) and Bank of Russia Ordinance No. 6759-U, dated 18 June 2024, 'On Amending Bank of Russia Ordinance No. 5343-U, Dated 5 December 2019' (with respect to NPFs' pension reserves).

[8] Bank of Russia Information Letter No. IN-02-28/33, dated 28 May 2024, 'On Disclosure of Information in the Event of Public Offering'.

[9] The draft federal law establishing unified approaches to compiling, approving and disclosing an internal document setting out dividend policy was submitted for interagency approval. The Bank of Russia addressed to joint stock companies Information Letter No. IN-02-28/9, dated 8 February 2024, on approaches to setting out and disclosing a dividend policy.

impact of the Bank of Russia's operations on market pricing, the regulator decided to raise its interest rates in the market for FX swaps to sell and subsequently repurchase foreign currency.[10] Providing banks with foreign currency liquidity helps avoid a surge in the interest rates in the FX market and enables market participants to adjust to the changing conditions more smoothly. However, this tool cannot be a permanent source of foreign currency liquidity and certainly cannot be a source of foreign currency funding for banks. Only customers' funds can serve as this type of a funding source in the current conditions. Since companies' foreign currency deposits are highly volatile, banks should **continue to reduce the share of foreign currency on their balance sheets**.

Russia continued to develop cooperation with friendly countries, the payment and settlement system, and the network of correspondent relations. Settlements in rubles and national currencies of friendly states are becoming more frequent. The share of transactions in these currencies as part of export and import settlements reached 81.7% and 81.5%, respectively, as of late September 2024 (vs 75.8% and 72.4% in 2023). As of early December 2024, the Moscow Exchange spot market offered 10 currencies of friendly countries against the Russian ruble for a number of instruments that allow the purchasers of foreign currency to subsequently use it in foreign trade activity. The regulator is working to enable the use of digital rights and digital currencies in international settlements.[11]

The digital and payment infrastructure meets the needs of the economy and financial market, continuing to evolve. Consumers have confidence in digital payment tools and are using them more extensively. The share of non-cash payments in retail turnover continued to grow steadily and reached 84.9% as of the end of 2024.

Amid technological development in the economy, the platform business model continues to gain popularity. The Russian platform services industry is highly resilient, and domestic players have strengthened their leading positions in most segments of the Russian market and contributed to the country's technological independence. The transformation of the market's ecosystem continues, thus it is still relevant to develop approaches to regulate the ecosystems that provide benefits to households and businesses, while managing risks to the competitive environment and financial stability.

The segment of DFAs continues to develop. The number of OISs where DFAs are issued increased by four year on year, equalling 14 units as of early December 2024. Most OISs completed the testing of their IT solutions and started to fully integrate these solutions into their operations. As a result, DFA issues surged in 2024. The total value of transactions to purchase DFAs upon issuance increased almost sevenfold: from ₽64 billion over the first nine months of 2023 to ₽372 billion over the first three quarters of 2024. The number of registered users of information systems increased significantly to almost 241,000 as of the end of the first nine months of 2024, which is 149,000 users more than as of the end of 2023 (+160%). The number of DFA owners exceeded to 98,000 users as of 30 September 2024.

The DFA market is popular among both large companies of the financial and industrial sectors and SMEs: the funds raised by SMEs through the issuance of DFAs reached ₽10 billion over the entire period of the DFA market operation.

The Bank of Russia continues to test transactions with digital rubles among a limited range of users and participants. During the pilot testing, the platform proved to be efficient and functional. Given this and in order to gradually increase the number of participants in the pilot testing, its parameters were expanded from 600 to 9,000 individuals and from 22 to 1,200 legal entities from 1 September 2024.

[10] The add-on to O/N SHIBOR (Overnight Shanghai Interbank Offered Rate) was increased from 5.5 pp to 12 pp. Therefore, the Bank of Russia's actual foreign currency interest rate was up from 7.0% as of early September to 13.5% in late September.

[11] For more details, see Area 3 'Digitalisation of the financial market and development of the payment infrastructure'.

The SBP has been developing and is used increasingly by both individuals and businesses. As of early December 2024, 224 credit institutions were connected to the SBP. Over the first 11 months of 2024, the SBP processed 11.9 billion transactions worth ₽60.1 trillion (vs 7.2 billion transactions worth ₽31.0 trillion over 2023). Paying for goods and services via the SBP is a rapidly developing system solution helping businesses significantly cut their costs associated with accepting non-cash payments. Over 80% of TSCs accepting payments via the SBP are SMEs.

The number of transactions carried out using contactless technologies (contactless cards and payment applications on smartphones (pay solutions) is still growing. Over the first nine months of 2024, 39.0 billion transactions worth about ₽43 trillion were carried out using contactless technologies, which is 17% and 21.1% more, respectively, than over the same period in 2023.

The share of transactions via the Mir national payment system in the total amount of domestic transactions increased, reaching 64.1% as of the end of 2024 Q3. This system also enables making contactless payments for purchases with a smartphone.

The Bank of Russia will continue implementing infrastructure projects and promote a legal environment and innovations in the financial market to ensure **the country's payment independence**.

The SPFS plays the key role as a reliable and secure channel for exchanging payment information by banks. The SPFS has become the main channel for exchanging financial data in the course of domestic settlements using correspondent accounts. Over the first 11 months of 2024, traffic in the SPFS increased by 22.2% year on year. As of early December 2024, companies using the SPFS numbered 581.

The remote identification system continued to develop, increasing accessibility of various financial services to and their convenience for consumers.[12] A wide range of banks (over 180) are connected to the UBS storing and processing biometric data for the purpose of remote identification of individuals. There was an increase in the number of biometric samples collected at bank branches and through the Public Services Biometrics mobile application launched in 2023, which enables individuals to register in the UBS on their own. The development of UBS-based services has made it possible to use biometrics to obtain an EQES and pay for purchases.

The regulator also continued to develop the infrastructure of the Digital Profile, which enables convenient and safe exchange of data necessary for obtaining digital services between individuals, businesses and the government. Digital Profile-based services are offered to individuals by 145 organisations. Individuals used it 78.6 million times from when it was launched in 2020 to the end of 2024 Q2. Three companies are connected to the infrastructure of the Digital Profile of a Legal Entity.

To enhance financial inclusion and boost competition in the financial market, the Bank of Russia is **working to improve information exchange by using Open APIs**. Based on the feedback and discussions with market participants, the regulator devised an approach to the hybrid implementation of Open APIs and published the document Open APIs in the Financial Market: Key Principles and Stages of Adoption. Four pilot projects are being implemented: the personal financial assistant, corporate multi-banking, digital approval of voluntary health insurance services and digital settlement of road accidents.

Therefore, the Russian financial market has generally rebounded after the 2022 shocks and has been consistently developing and contributing to the development of the economy as a whole. When outlining areas and objectives of the medium-term financial market development, a number of factors should be taken into account.

[12] In June 2018, the remote identification system was launched, which allows individuals to open accounts, take out loans and make money transfers remotely after passing remote identification using biometric personal data (face image and voice).

In the current environment, the objective to transform the Russian economy is implemented using domestic resources. The objective of the financial market is to contribute to this process by transforming savings into investments. To achieve this, it is important to ensure trust as well as provide tools meeting the needs of individuals and businesses. Companies of various sizes, including large ones, need to have appropriate mechanisms and tools which, in the absence of external borrowing opportunities, will allow them to meet demand for financing. The capacity of the domestic market is crucial, and it should be increased by expanding opportunities for business financing and the participation of different groups of investors, reducing volatility and enhancing the stability of the financial market.

At present, big data are expanding rapidly, accompanied by the proliferation of AI technologies, including machine learning, which is used as a tool for data processing and analysis as well as for other tasks. Digital technologies can improve the efficiency of decision-making and supervision, enhance the accessibility of various types of financial instruments to individuals and businesses and increase labour productivity. If Russia **timely introduces and develops elements of the digital infrastructure and digital technologies as well as reliable data protection systems**, its economy and financial market will remain competitive and attractive to foreign investors.

Greater fragmentation of the global economy and financial market as well as increasing sanctions pressure may have an adverse impact on foreign trade and the amount of foreign capital raised as well as complicate interaction with friendly countries. Therefore, **building a system of international payments and settlements** as well as establishing relations in the depository, foreign exchange and commodity markets with friendly countries remain matters of particular relevance.

Sustainable development is still on the global agenda. Despite sanctions, Russia remains a part of international economic relations and the international financial system. Therefore, it is necessary to ensure that the Russian economy and financial market remain competitive and attractive to foreign investors by timely implementing measures to introduce and **develop sustainable regulation**.

If unstable macroeconomic conditions persist in friendly countries and their economic activity slows down or declines, this may adversely impact foreign trade and the amount of attracted foreign capital, which may undermine financial stability and affect the Russian economy's growth. The authorities will continue to work on maintaining **stable and predictable macroeconomic conditions** by pursuing consistent monetary policy aimed at ensuring price stability and well-balanced fiscal policy based on the fiscal rule as well as by limiting the risks to systemic financial stability.

It is necessary to take into account and timely **respond to the changes in external conditions**, including **imbalances in foreign markets, geopolitical factors** and risks of tightening sanctions, including secondary ones.

Taking into account the current trends as well as challenges and opportunities for the development of the Russian financial market the Bank of Russia, jointly with the Government of the Russian Federation, will promote its medium-term development by focusing on the following key areas:
– enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the resilience of the financial sector;
– financial consumer and investor protection, enhancing financial inclusion for households and businesses;
– digitalisation of the financial market and development of the payment infrastructure;
– development of the system of foreign trade payments and settlements; and
– ensuring financial stability.

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

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

3.1. Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the resilience of the financial sector

Russia should achieve large-scale objectives for the structural transformation and modernisation of the economy, ensuring technological sovereignty, and reorientating international economic relations. However, the domestic economy should rely, at least in the medium term, mostly on internal financing sources. An important aspect is the development and increased accessibility of capital market instruments, primarily equity financing. Taking into account the past work to expand the range of long-term savings and investment instruments, the promotion of these instruments becomes of utmost importance, including through raising households' awareness of them. The expansion of financing for sustainable development remains a relevant objective, which will be facilitated by further development of the corresponding infrastructure and instruments.

For the financial market to fully and continuously perform its functions, it is important to strengthen individuals' and businesses' confidence in it. This requires systemic financial stability and high-quality uninterrupted operation of financial institutions, effective protection of financial consumers' and investors' rights and accessibility of reliable, relevant and trustworthy information about financial intermediaries and securities issuers.

An important condition for addressing the challenges facing the economy is ensuring financial institutions' efficient functioning, while maintaining the market-based fundamentals of the financial market. When deciding on incentive measures, it is necessary to take into account that government support measures should be primarily aimed at developing the areas of economic activity and financing instruments that will contribute the most to the modernisation and technological sovereignty of the Russian economy and the formation of long-term savings and investments. When introducing and extending such measures, it is important to maintain balance and prevent the financial market from accumulating problems that could threaten financial stability.

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

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

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

The IIA mechanism will be enhanced further. Along with the introduction of long-term IIAs of type III enabling withdrawal of assests from it in challenging life circumstances[1] and the inclusion of open-end UIF management companies in the list of financial intermediaries through which IIAs can be opened, the option of opening IIAs through financial platform operators will be considered. To preserve investments on IIAs of type III in case of a broker's or a management company's bankruptcy, a mechanism of compensation for the value of assets on IIAs of type III[2] is expected to be launched. The participation in this mechanism is supposed to be voluntary for persons opening and keeping IIAs. It is also necessary to furtherassess whether investors can be granted the right to withdraw coupon income and income from UIF assets management from IIAs of type III without losing the right to the tax incentive. From 2025, investors will be able to withdraw dividends from IIAs of type III without closing an account or losing the right to tax incentives.[3]

Another instrument launched in 2024 is the LSP, which allows individuals to receive additional monthly income in the future, including after their retirement, or create safety cushions to be protected in challenging life circumstances. Contributions to the programme are formed from voluntary payments, transfers to the pension savings programme as well as investment income from contribution management. To encourage participation in the LSP, the government provides for co-financing of contributions. The Bank of Russia, together with the Russian Government, will continue to take measures to **encourage individuals to participate in the LSP**, which includes improving the LSP tax regulation.

Similarly to NPP products, there is a guarantee mechanism that applies to the LSP. It ensures the safety of an individual's voluntary contributions for an amount of up to ₽2.8 million before a request for payments is made, and periodic payments under long-term savings agreements, after the LSP payments are requested, in the event of an NPF's bankruptcy or revocation of its licence. Moreover, before a request for payments is made, long-term savings agreements additionally guarantee the safety of the full amount of pension savings transferred to the LSP, government co-financing and returns on investments. An important factor of the further development of both the LSP and NPP is more active involvement of employers in **devising corporate NPP programmes and co-financing employees' contributions under long-term savings agreements with NPFs**. This will encourage more working individuals to take part in the LSP and NPP in order to have additional income, besides their future pension, which will be generated with the help of their employers.

The funds in IIAs of type III and the LSP are subject to a tax deduction from PIT on individuals' long-term investments. This tax deduction is equal to the amount of an individual's expenses associated with making long-term savings (in total, no more than ₽400,000 per year) as well as the amount of income received on IIAs of type III. It will also apply to NPP agreements from 2025. There are also plans to extend the existing incentive for employers helping their employees make long-term savings as part of the NPP system to the LSP.[4] Furthermore, it is necessary to consider extending the tax deduction for individuals' long-term savings to long-term life insurance agreements.

Conditions are being created in the Russian insurance market for **launching a new product – ULLI – from 2025**. This insurance type simultaneously provides insurance protection of the policyholder or the

[1] Situations when funds are needed to pay for expensive treatment, the types of which are approved by Directive of the Government of the Russian Federation No. 76-r, dated 18 January 2024, 'On Approving a List of Types of Expensive Treatment for the Purposes Clause 9 of Article 10.2-1 of Federal Law No. 39-FZ, Dated 22 April 1996, 'On the Securities Market'.

[2] Draft law No. 579984-8 adopted by the Russian State Duma in the first reading on 24 July 2024.

[3] Federal Law 'On Amending the Federal Law 'On Investment Funds' and Certain Laws of the Russian Federation' (draft law No. 557693-8 adopted by the Russian State Duma in the third reading on 17 December 2024).

[4] The possibility to book contributions under the LSP as labour costs for the purposes of the corporate profit tax and exemption of employers from insurance contributions. The regulator is also considering extending the deduction from PIT on individuals' long-term savings to employers' contributions made in favour of employees.

insured person and the opportunity to invest a part of the insurance premium in the investment funds selected by the policyholder to generate investment income depending on their value. To preserve the investments, the regulator plans to launch the **guarantee system in the life insurance market**[5] in 2027.

Expansion of retail demand in the securities market requires maintaining the balance between risks and returns on individuals' investments. Taking into account that most investors in the stock market prefer to invest independently through brokers, the Bank of Russia will pay special attention to **developing and improving investment attractiveness of passive investment**, which is better for beginners. Relevant instruments include UIFs shares that provide retail investors with broad opportunities to diversify their investments, under the professional asset management on investors' behalf.

Along with increasing financial and investment literacy, it is necessary to **develop a trust management system** and inform individuals about the opportunities it offers, which will mitigate the risks associated with investment in capital market instruments. For that purpose trust managers will take an individual approach to each client.[6] From 1 January 2025, they will be able to offer only those trust management strategies that meet customers' expectations and risk appetite.

In addition to improving the regulation of closed-end UIFs[7] (which includes changing the validity term of agreements for trust management of closed-end UIFs and enabling the issue of various classes of investment units of closed-end UIFs), the relevant regulation will be developed.

In addition, to ensure effective property management, including inheritance planning, the need to improve the relevant legislation will be explored.

The development of channels for sales of standard low-risk securities market instruments to individuals will continue with a view to promoting long-term investments according to the buy-and-hold strategy using financial platforms. Such instruments include subfederal bonds for households, the proceeds from the issue of which are used to finance social and environmental projects, which is of additional value to investors.

It is important to ensure compliance with requirements for offering relevant securities to non-qualified investors as well as equal opportunities for households to use tax incentives through the IIA mechanism, regardless of whether securities are purchased through a broker/management company or directly from an issuer via a financial platform.

To encourage long-term investment, banks will continue **developing long-term deposits and savings certificates** as part of comprehensive efforts to attract long-term funds to the banking sector, which has become especially relevant due to the need to fund prioritiesed transformation projects. To ensure the attractiveness of these instruments, tax arbitrage that arises between short- and long-term deposits has been eliminated.[8] In addition, there are plans to consider increased insurance protection for banking instruments within the deposit insurance system.[9]

To protect depositors' rights, the option to **insure household funds in verified e-wallets with banks** will be explored.

[5] For details, see Objective 6 'Development of the insurance market' within this area.

[6] Bank of Russia Ordinance No. 6781-U, dated 28 June 2024, 'On Amending Bank of Russia Regulation No. 482-P, Dated 3 August 2015'.

[7] Federal Law 'On Amending the Federal Law 'On Investment Funds' and Certain Laws of the Russian Federation' (draft law No. 557693-8 adopted by the Russian State Duma in the third reading on 17 December 2024).

[8] In particular, it is possible to reduce the tax base for income in the form of interest on deposits (accounts) by the amount of the non-taxable minimum for each calendar year within the duration of a long-term deposit opened for at least 15 months, provided that the interest is paid when the deposit matures.

[9] For details, see Objective 4 'Banks' participation in economic development financing' within this area.

The implementation of the project **to create the housing savings system in Russia** will be continued. It will enable individuals to save for a down payment using a special housing savings account with the right to subsequently conclude a mortgage loan agreement on special terms. The housing savings system will expand the long-term resource base of credit institutions and increase the efficiency of mortgage portfolio management.

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

The capital market has been evolving quickly, and its role as a source of financing for businesses, along with bank lending, has been increasing. In addition, it has the potential to become a more significant source of debt and equity financing for businesses.

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

Thus, to promote comprehensive development of the capital market, both demand and supply are important, given that investors' demand for securities and companies' willingness to raise funds in the capital market both matter.

Although Russian businesses are increasingly using the opportunities for raising funding in the capital market, the amounts of funds raised there are incompatible with lending amounts. Despite the wide range of financial instruments and industry diversity of issuers, the amount of traded securities accessible to investors in the Russian capital market are still quite limited. In this regard, it is important to explain the opportunities of the capital market to businesses and create incentives for their use. **The companies that enter the capital market should be ready for this, have high-quality corporate governance and disclosure systems**, understand the value of investors and perform their obligations properly.

Therefore, the Bank of Russia and the Government of the Russian Federation will create conditions for enhancing the accessibility and convenience of instruments for raising long-term financing, including the use of digital technologies. The Bank of Russia and the Government of the Russian Federation will pay particular attention to the development of equity financing, which is actually the most long-term type of financing. In general, measures to support lending and equity financing should be harmonised to encourage companies to diversify their sources of financing. The current system of measures of support, which prioritises subsidising loan interest rates, encourages businesses to turn to debt financing through taking out loans, thus discriminating capital market instruments such as shares and bonds (for details, see the Box at the end of this objective).

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

– provision of guarantees from government and development institutions;

– support programmes for entering the stock and bond market for companies operating in promising industries and projects, primarily those within the taxonomy of projects promoting TS and SAE (hereinafter, the Taxonomy);[10] and
– tax incentives and subsidies for issuers.

In particular, it is prudent to explore the issue of shifting support measures from subsidising loans to encouraging equity financing. This may not only offer a more attractive option for companies but also signal the importance of this type of financing among other sources.

Certain support measures are already being implemented for SMEs offering shares and bonds on the stock exchange as well as raising financing through crowdfunding platforms. It is prudent to extend these measures primarily for those companies that contribute to the technological sovereignty, economic restructuring and import substitution. In addition, **the experience of supporting SMEs' entry to the capital market can also be used, including through adaptation, to support companies whose development may be significant for the transformation of the Russian economy**, in particular fast-growing technology companies and companies with revenues of ₽2–10 billion (SME+).

To maintain the steady trend towards new companies entering the public stock market, it is necessary to pay attention to **the pre-IPO fund raising instruments development for companies**, using over-the-counter and non-bank funding (for example, pre-IPO funds and investment platforms), among other things. For balanced economic development, it is important to ensure **the end-to-end nature of support measures** and their continuity at different stages of companies' life cycle. The use of various types of support measures can be considered for, among other things, venture financing instruments, pre-IPO funds, securities offerings on investment platforms as well as DFAs issued in information systems.

Convertible bonds may also play an important role in boosting investments raised in particular by companies that contribute to ensuring TS and SAE. To make them more flexible and easy to use, it is planned **to improve the regulation of convertible bonds**.

The quality of administrative rules for the admission of financial instruments to the market (issuance rules) is an important driver of the capital market development. Therefore, the Bank of Russia will revise one of the relevant key documents – securities issue standards – to bring them into line with the new economic and legal realities.

To ensure fair offering prices and limit the risks of volatility in the market, offerings should be well-organised and the composition of both retail and institutional investors should be balanced. In the current conditions, the role of anchor investors may grow further. Their participation may fuel demand for securities from other categories of investors.

Higher demand for securities from retail investors will be driven by **the creation of the new and development of the existing set of instruments for long-term investment**[11] (for example, the launch of ULLI, IIAs and the LSP). Investors' interest in securities, especially that of beginners, may be encouraged by additional tax incentives.

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

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

To fuel investment by institutional investors (banks, insurance companies, UIFs, PSMPs and NPFs) in securities of companies that contribute to ensuring TS and SAE (according to the Taxonomy), incentive-based regulation was implemented.

The requirements applicable to NPFs in terms of their participation in IPOs were eased.[12] The Bank of Russia will additionally consider the issue of **expanding NPFs' investment opportunities**[13] by cancelling some of the requirements for the composition and structure of their investment portfolios (except for the concentration limits and the single limit on assets with an additional level of risk, which can be raised). Besides, the related investment risks of NPFs will be limited by the requirements for their stress testing, and the integrity of investment decisions made by NPFs will be ensured by the requirements for their fiduciary responsibility. The requirements for the safety of pension funds and the reliability of such investments are crucial. NPFs' interest in offering shares may be fuelled by additional tax incentives, including those depending on the share ownership period.

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

Preserving and enhancing confidence in the capital market among investors (individuals and businesses) is a key factor for raising financing. Confidence in the capital market will increase owing to higher market transparency, accessibility of reliable information about products, services and issuers, development of long-term relationships with customers, ensuring protection of shareholders' (investors') rights, better quality of issuers' corporate governance, improvement of dividend practices, and intermediaries' good-faith behaviour and compliance with business ethics. Market participants, primarily retail investors who are the least protected, should understand all the processes and procedures in the financial market. The issue of restoring investors' rights to the frozen assets, which will be explored further using the designed tools and mechanisms, remains relevant.

Considering the need to ensure confidence in the capital market, it is critical to **protect the rights of minority shareholders**, including both private and institutional investors, and to increase the transparency of IPO terms for investors, which includes informing them about the allocation terms and the lock-up period.

High-quality and accurate information is crucial for maintaining confidence. Therefore, it is important that securities issuers disclose such information. It is prudent to provide investors with updated information (including forecasts) to enable them to assess companies' development prospects and make grounded investment decisions for long-term investment. This is particularly important when it comes to investing in companies entering the public market for the first time and raising funds to develop and expand their activities. To ensure information efficiency of the capital market in the current conditions, the best option is to disclose information about the assessments of the issuers' and issued financial instruments' fair value, while such assessments should contain a transparent and detailed description of the calculation, models and initial assumptions. The Bank of Russia will additionally assess whether new requirements are needed in this area.

Better information transparency will also be ensured by available and accessible data on market indicators and statistics as well as independent assessments (ratings). High-quality information

[12] Bank of Russia Ordinance No. 6732-U, dated 22 May 2024, 'On Amending Bank of Russia Regulation No. 580-P, Dated 1 March 2017' (with respect to NPFs' pension savings) and Bank of Russia Ordinance No. 6759-U, dated 18 June 2024, 'On Amending Bank of Russia Ordinance No. 5343-U, Dated 5 December 2019' (with respect to NPFs' pension reserves).

[13] For details, see Objective 7 'Ensuring the resilience and regulatory development of financial institutions' within this area.

and independent assessments encourage the development of domestic pricing and expand the opportunities of Russian market participants in terms of choosing the best parameters of transactions.

Given the proliferation of IPOs, development of the market infrastructure (offerings organisers, underwriters and advisers) is becoming more urgent as it plays an important role in ensuring that public offerings are conducted to a high standard. The capital market should ensure the establishment of the best standards regulating the behaviour of its participants to stimulate investment demand and expand the use of public offerings as a fundraising tool.

The regulator will continue to create conditions for **the development of Russian financial and commodity benchmarks administrators** ensuring the provision of objective and accurate market information. There are plans both to expand the range of financial and commodity market benchmarks and to adopt the regulation to establish requirements for the activity of benchmark administrators, including the report compilation and provision by benchmark administrators, information disclosure and other requirements. The list of data to be contained in the register of benchmark administrators, which will be kept by the Bank of Russia, has been determined.

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

The regulator plans **to develop the national rating industry further**, paying special attention to the transparency of the rating process. To this end, the Bank of Russia has established a public rating repository[14] and is developing additional requirements for credit rating agencies to disclose credit ratings and relevant forecasts to provide the credit ratings users with access to more detailed explanations of rating actions, which includes disclosure of the rated entity's standalone credit rating.

Considering the demands of the market, including investors and rated entities, it is proposed to devise legislation that enables credit rating agencies to assign credit ratings without disclosing them to the general public and without communicating them to anyone other than the parties specified in the rating services agreement **(the institution of private credit ratings)**.

Furthermore, development prospects of the Russian rating industry may depend on both foreign companies' demand for obtaining credit ratings according to international scales from Russian credit rating agencies and a broader use of the credit ratings assigned by Russian credit rating agencies in the regulation and/or business practice of foreign partners (primarily those from the EAEU).

The Bank of Russia will also focus on **improving commodity trading systems**, which will promote the development of domestic pricing and the system of national commodity benchmarks as well as foster conditions for enhancing commodity systems offering convenient services for accessing on-exchange trading and obtaining pricing information to promote fair competition with exchanges and encourage commodity market participants to take part in on-exchange trading, including by developing derivatives. The Bank of Russia will make the organised commodity market more accessible and attractive to SMEs and expand the range of commodity groups traded on the exchange.

Amid the structural transformation of the Russian economy, derivatives are becoming increasingly important as an effective risk management (hedging) tool. In this connection, the regulator will continue to implement a set of measures **to develop the derivatives market**, which includes promoting balanced conditions where individual market participants will be obliged to perform centralised

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[14] An open database developed by the Bank of Russia, which contains information about the credit ratings assigned by credit rating agencies and related forecasts. The database has been available on the Bank of Russia website since 8 July 2024.

clearing of over-the-counter derivatives, expanding the range of underlying assets that are eligible for derivatives, establishing the rules for providing information about derivatives to less experienced market participant and other measures.

The gradual reorientation of trade flows towards friendly countries requires **the development of the market for foreign exchange derivatives**, underlying assets of which are these countries' currencies. This in turn necessitates the establishment of new connections with the financial systems (including with the regulators) of friendly countries in Asia, the Middle East and Latin America as well as the creation of an effective system for payments and settlements in friendly countries' currencies.

Alongside the development of the traditional capital market in the changed environment, **the role of partnership financing as another way to finance economic development and improve the welfare of households** may also increase. To develop this area of financial activities, a two-year experiment was launched in certain constituent territories of the Russian Federation[15] on 1 September 2023. The experiment will help assess market participants' demand for these financial instruments and increase the accessibility of such services to Russian individuals and SMEs. In addition, the experiment is aimed at establishing contacts with financial institutions in the countries where such financial instruments and mechanisms are already actively developing. In 2025, the Government Expert Council will assess the efficiency and results of the experiment and the need for introducing special regulation into Russian legislation.

The development of partnerships between businesses and the government to attract investment in projects of social significance through the use of concession agreements, public- and municipal-private partnership agreements is equally important.

More active development of project financing in the medium term will be fuelled by broader opportunities for development institutions to participate in it. In this regard, it is necessary to provide for automatic mechanisms for recapitalisation of development institutions (including as part of maintaining their status of public sector organisations as a prerequisite for continuing the special regulation of banks' claims on them), and the government should take into account the needs for such recapitalisation when planning federal budget expenditures. Thus, it might be reasonable to create a transparent mechanism of the so-called approved capital[16] of development institutions. A similar mechanism has been developed for VEB.RF. This experience can be used to design a mechanism for other development institutions as well. Additionally, development institutions need to enhance medium-term forecasting of consolidated performance indicators, including capital and financial stability ratios, not only to identify the need for recapitalisation (other government support measures) but also to expand activities in the future. The use of stress testing methods can also improve the understanding of the capital needs of development institutions.

[15] The Republics of Bashkortostan, Tatarstan and Dagestan as well as the Chechen Republic.

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

BOX. ON ALIGNING THE INCENTIVES FOR BUSINESS FINANCING INSTRUMENTS: BANK LOANS AND THE CAPITAL MARKET

A significant factor influencing the enterprises investment activity in any economy is the ratio between the cost of capital and the expected future return on capital as well as risks of the project implementation. The market value of capital depends on the balance between savings made by the economy and demand for investments from companies and individuals.

All else being equal, savings in the economy depend on real interest rates. When an economy's investment activity grows while savings remain unchanged, demand for investment resources rises, which results in higher market interest rates, i.e. increased cost of capital.

However, individual sectors or priority projects in terms of national objectives and long-term economic development may become unable to compete for capital at its market value for various reasons. The reasons may include, for example, a very long return horizon and elevated risk level. Furthermore, such projects may have additional positive effects for the economy and society which cannot be assessed in terms of a project's financial returns and therefore cannot be taken into account in the project's assessment. These projects may be associated with, among other things, the need to ensure significant structural transformation of the economy or meet the objectives of technological sovereignty.

Considering this, the government can use the tools to increase investment attractiveness of these activities to company owners in order to ensure active development of priority sectors, implement significant projects and successfully achieve strategic goals. One of these tools is to grant a budget subsidy to a company, which will improve the expected outcome of the project implementation for the shareholders. In this case, given the same market capital value and risk structure, more projects may interest potential investors.

One of such support mechanisms, which has become widespread over the past years, is subsidised bank lending. It has become popular partially owing to its extensive use as an anti-crisis measure in 2020 and 2022. The main form of subsidised lending is a budget subsidy granted to banks by the government to compensate for the part of the interest income which they do not receive when issuing loans at a reduced rate to the categories of borrowers listed by the government. However, in economic terms, this mechanism constitutes a budget payment in the form of an interest subsidy for the entire loan term, which increases borrowers' financial results and therefore creates an additional benefit for their shareholders.

An important question is whether this mechanism for encouraging priority investments meets the objectives of diversifying the sources of financing for businesses and increasing the role of the capital market, or whether there are other approaches which will yield the same – or even a more significant – economic result, with the budget expenditures remaining on the same level.

It is worth mentioning that the current practice of subsidised lending actually encourages companies to prefer bank loans over all other instruments when choosing the sources of financing for such investments. The reason for this is that, when using other sources of financing (offering bonds or equity financing), the investing company, its shareholders and the initiators of the investment project will not be entitled to a budget subsidy.

Therefore, the existing system of subsidising loans in fact discriminates againt instruments of the capital market (i.e. shares and bonds) in favour of lending.

1. Equity financing is discriminated against in favour of debt financing. As a result, companies are actually encouraged to take on an elevated debt burden in terms of these projects and sectors.

2. As regards debt financing, the bond market as a financing source is discriminated against in favour of bank lending.

These effects slow down the development of the capital market and reduce competition between the banking sector and the capital market.

Additionally, from the macroeconomic perspective, a bank loan is a monetary financing mechanism with the most pronounced proinflationary effects. The increase in subsidised lending triggers additional growth in money supply and aggregate demand and therefore has a proinflationary effect. Financing through shares and bonds (unless they are purchased by banks) does not create extra money supply. This type of business financing, unlike the new bank loan, involves using the already existing savings of individuals (directly or through institutional investors), i.e. using the household to invest resources that have not been spent on other purposes. Proinflationary effects in this case are incomparably smaller.

In view of the above, the Bank of Russia proposes changing the support programme for priority investment projects and areas to, at least, align the approaches to the measures of support applied to bank lending and capital market instruments. One of the possible options may be to subsidise equity financing, i.e. grant subsidies distributed over time to the companies entering the capital market as an alternative to loan subsidies. This will allow companies and project initiators to decide on the financing structure based solely on the economic features of individual projects and the relative market value of these sources. This will not entail more government expenses as equity financing subsidies will be granted instead of loan subsidies. This type of support may be provided to the companies implementing priority projects in terms of economic development (for example, in accordance with the taxonomy of projects promoting TS and SAE[1]).

In the future, taking into account the priority of the capital market and equity financing development, the regulator may consider an option to make the subsidisation of business financing through capital market instruments more attractive as compared with the incentives applied in bank lending.

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

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

Increasing companies' investment attractiveness remains one of the most significant objectives in the current economic conditions. In this regard, ensuring the quality of corporate governance, the responsibility of companies' management for decisions made, transparency of activities, fair treatment of shareholders and investors as well as reliability and high potential of activities and the desire to master new technologies are of great importance.

It is essential to focus on the results achieved over the past decades in the area of legal mechanisms that protect shareholder rights as well as basic approaches to corporate governance that have proven their effectiveness in order to foster an environment of confidence that is required for the efficient functioning of the capital market, long-term sustainable development of businesses and maintenance of investment attractiveness and reputation of the Russian jurisdiction. Therefore, the Russian Government, together with the Bank of Russia, will continue the efforts **to develop corporate relations and corporate governance as well as to properly ensure the rights of shareholders**.

Taking into account the importance of timely disclosures and the quality of corporate governance for the financial market, starting from July 2023,[17] securities issuers began to gradually resume

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

information disclosure.[18] In particular, the established disclosure rules do not allow companies to close all information[19] but are aimed at mitigating potential sanction risks. This approach helps maintain the balance between the interests of shareholders, investors, and creditors interested in gaining access to the information they need to make informed strategic and investment decisions and to exercise their rights and those of issuers that need mechanisms for protection from intensifying sanction pressure. Additionally, there are plans to develop amendments to the legislation aimed at improving the system for countering misuse of insider information and market manipulation and at increasing penalties for violating the relevant legislation.

To ensure the development of the Russian financial market and an increase in its capitalisation, it is reasonable to continue **lifting special (anti-crisis) measures for the implementation of corporate rights** and return to the procedures established by the legislation on corporate relations.

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

The Bank of Russia will pay attention to ensuring that public companies have the appropriate level of transparency of corporate decisions and maintain the balance of interests of all participants in corporate relations, including minority shareholders. Therefore, there are plans **to improve the regulation of the procedure for providing a shareholder with documents and information about the company**, which includes updating the list of such information and grounds for denying access to it. The Bank of Russia will also continue introducing the best **corporate governance standards**, which are presented in the Corporate Governance Code (hereinafter, the Code)[20] and other recommendations of the Bank of Russia, into the practice of Russian public companies. Mindful implementation of the Code's recommendations should improve the resilience of companies' activity as well as help them timely adapt to rapidly changing business conditions and take advantage of new opportunities. This is expected to increase their attractiveness to investors. Additionally, considering the accumulated practical experience, the Bank of Russia will work on updating the Code in certain areas, such as the interaction with shareholders and investors, establishment of management bodies and the remuneration system as well as risk management and information disclosure. In terms of corporate governance development in financial institutions, the Bank of Russia plans to determine and legally formalise approaches to the organisation of certain corporate governance practices, including the formation of a board of directors, as well as harmonise the requirements for risk management, internal control and internal audit in financial institutions.

The Bank of Russia will continue **to improve corporate governance in credit institutions**. The mega-regulator will focus on encouraging the development of internal control systems and detecting unfair and illegal practices in credit institutions as well as on introducing ethical standards regulating their activities. Furthermore, it is planned to develop a corporate governance standard for credit institutions.

In order to develop the debt financing market, the Bank of Russia plans to continue expanding opportunities for bond issuers to quickly and conveniently execute transactions as well as **enhancing**

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

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

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

mechanisms for protecting bondholders' rights. In particular, there are plans to change the regulation of the institution of bondholders' representatives.

To reduce financial and labour costs of the restructuring and make it less time-consuming, the regulator plans **to improve the reorganisation rules for legal entities** by eliminating legislative barriers complicating the process.

The requirements for qualifications and business reputation of financial market specialists (including executives, officials and owners of financial institutions) **will be unified and enhanced** to improve the quality of management and work in financial institutions at all levels.

The development of the system of auditing financial market participants' reporting will help improve the quality of information in the financial market and users' confidence in financial reporting. From early 2024, only the audit firms on the Bank of Russia's register are authorised to provide audit-related services to socially important organisations in the financial market and audit their reporting starting from 2024. The Bank of Russia's work in this area will be focused on supervising audit organisations in the financial market.

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

Objective 4. Banks' participation in economic development financing

In the medium term, the banking sector, as the largest segment of the Russian financial market, will continue to play the key role in financing the transformation of the Russian economy. It is essential that banks have sufficient resources (capital and sources of long-term funding) to finance the economic development with limited and manageable risks.

In 2023, the Bank of Russia implemented **risk-sensitive incentive-based regulation** to support lending to TS and SAE projects within the Taxonomy. Now, banks with a universal licence can issue loans to finance projects that fall within the scope of the Taxonomy with a lower burden on capital,[21] which makes such loans more attractive to them and provides more opportunities for financing TS and SAE projects. In 2024, the incentives were expanded.[22] Currently, they may be used for refinancing loans for TS and SAE projects, and investors are allowed not to invest equity in projects of high and highest quality implemented as part of project financing (previously, they were obliged to contribute at least 20%). Additionally, the regulator has eased the conditions of the application of this regulation for individual major TS and SAE projects implemented under concession agreements, considering their low risks and high economic importance. The full potential of the incentive-based regulation can only be achieved if there is a sufficient number of projects within the Taxonomy with a level of risk acceptable to banks. Furthermore, attention should be focused on raising banks' and companies' awareness about the programme for incentive-based regulation of TS and SAE projects, which will help identify and correctly structure the projects in priority sectors.

A comprehensive approach combining incentive-based banking regulation and government support measures may help boost the potential of this measure and enhance the efficiency of the mechanisms

[21] The decrease in the capital burden may reach 10% – 70% of the standard credit risk level for a loan, depending on the project type and the credit quality of a loan, which is assessed based on national credit ratings, among other things. Banks' risks are limited as the permissible decline in a bank's burden is limited by its average annual profit and a 5–10% share of the capital (depending on its compliance with capital adequacy buffers). Since the program was launched, projects with a total value of about ₽1 trillion have already been added to the register of projects eligible for incentives, including in infrastructure construction, the nuclear industry and the production of batteries for electric vehicles.

[22] Bank of Russia expands incentive-based banking regulation for technological sovereignty and structural economic adaptation projects.

for funding TS and SAE projects. This approach will help achieve a synergistic effect to ensure the simultaneous application of the regulatory incentives and financial support measures, which will ultimately enable the implementation of a larger number of priority projects. The Bank of Russia will continue to monitor the application of the incentive-based banking regulation, which will help assess its efficiency and adjust it, if necessary.

The Bank of Russia plans to extend the incentive-based regulation to credit institutions' investments in TS and SAE bonds (now, it is only applicable to loans) as well as to **the financing of the most important sustainable development projects**[23] (in the form of both loans and bonds). In addition, there are plans to include TS and SAE bonds and sustainable development bonds into highly liquid assets on a preferential basis (as compared with corporate bonds) when calculating the new national LCR, which may in turn increase their liquidity. The issue of **putting TS and SAE bonds into a separate class of bonds similarly to green and social bonds** will be additionally explored. Furthermore, it is planned to consider including DFAs in the list of instruments for financing TS and SAE projects, putting them into a separate class (TS and SAE DFAs) and extending the risk-sensitive and incentive-based regulation to TS and SAE DFAs.

The Bank of Russia will look into the possibility of taking into account the provisions of concession agreements for regulation purposes, including when calculating ratios and forming credit institutions' reserves, which will enhance the capacity to fund economically important projects implemented under concession agreements and developed by businesses with direct support from the government.

Concurrently, the financing of major projects and companies should not increase excessive concentration risks in the banking sector, which may threaten the financial situation of the largest actors and the entire financial system. In this respect, the Bank of Russia **has prepared proposals to reduce credit concentration risks without compromising the lending potential**.[24] The innovations will also encourage fairer pricing in the credit and bond markets for all market participants.

The Bank of Russia will foster **the development of legal and operational mechanisms facilitating the diversification of credit risk within the banking sector** as well as among banks and other financial market participants. The Bank of Russia proposes the following mechanisms for managing risks and meeting the ratio targets: introduction of an 'orange zone' of compliance with the concentration ratios and development of syndicated lending.

The 2025 agenda of the Banking Standards Committee[25] (hereinafter, the Standards Committee) that has recently been established includes assessment of the prospects of **devising the syndicated lending standard**. This should attract more investors and may be regarded as a ground for providing regulatory incentives (categorisation as liquidity for the purposes of calculating the national LCR).

The concentration of credit risks can be reduced and the banking sector's capacity to issue loans to large companies and for major projects can be substantially increased (and, consequently, the economy transformation goals can be achieved) if the government and development institutions partially cover the risks by providing banks with guarantees and sureties of appropriate quality.

In some cases, banks have limited opportunities to participate in lending to long-term investment projects, given that a significant part of their liabilities are short-term or on-demand. In order to create an environment conducive to the formation of long-term funding resources in the banking sector,

[23] Resolution of the Government of the Russian Federation No. 1587, dated 21 September 2021, 'On Approving the Criteria for Sustainable (Including Green) Development Projects in the Russian Federation and the Requirements for the Verification of Instruments of Sustainable Development Financing in the Russian Federation'.

[24] Consultation paper Regulating Credit Concentration. For more details, see the section 'Banking regulation' of Objective 7 'Ensuring the resilience and regulatory development of financial institutions', within this area.

[25] Banking Standards Committee established.

the deposit insurance system is being improved. To extend banks' liabilities, there are plans to increase the maximum insurance compensation (to ₽2.8 million for ruble-denominated irrevocable savings certificates for at least three years; to ₽2.0 million for long-term ruble deposits for at least three years and ruble-denominated irrevocable savings certificates for 1–3 years; to ₽30 million for each type of escrow accounts for purchasing housing) and to differentiate the rates of insurance premiums payable to the CDIF by type, term and currency of deposits. This will make long-term deposits more attractive to clients, allow banks to increase their profitability and ensure an influx of stable long-term liabilities for financing the economy.

The Bank of Russia will continue **to develop proportionate regulation**. In particular, it plans to adjust macroprudential regulation for SICIs and other banks, improve the methodology for defining SICIs and establishing differentiated capital buffers for systemic importance. Bank with a basic licence will be admitted to the programme for incentive-based regulation of TS and SAE projects and sustainable development projects. This will allow banks with a basic licence to use reduced risk weights established for such projects and decrease their capital burden when granting loans for priority projects, similarly to banks with a universal licence. The regulator plans to expand the opportunities of banks with a basic licence to invest in securities:[26] they will be able to conclude transactions with securities of any exchange which are included in the Level 1 and Level 2 quotation lists and dispose of the securities on their balance which they are not entitled to work with, without limitations on the disposition term. These changes will have a positive effect on the potential of small banks.

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

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

These goals are also significant for building relationships with foreign partners that also attach importance to environmental and climate issues. It is essential for Russia not to fall behind both in terms of the climate agenda and in terms of the approaches to achieving the sustainable development goals in order to avoid risks for the economy and the financial sector. The Bank of Russia will continue to work on **the stress-testing of climate risks** to assess their impact on the financial market and the Russian economy.[27]

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

[26] If banks with a basic licence are entitled to work with securities included in the Level 2 quotation list, they will have access to more than 300 issues of bonds of Russian issuers on Moscow Exchange, among other things.

[27] For details, see Objective 2 'Developing macroprudential regulation and analysis of systemic risks. Improving data quality in the credit information system' of Area 3.5 'Ensuring financial stability'.

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

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

It is planned **to monitor financial market participants' compliance with recommendations on sustainable development**[28] and, based on the results of the monitoring, make a decision on the need to include particular recommendations in the regulation. The Bank of Russia also carries out such monitoring in relation to the assignment of ESG ratings.[29] These measures should allow investors to assess the size of the risk premium more accurately. As international approaches are developed and the practice of taking into account climate risks inside the country evolves, the need to update the sustainable development requirements and introduce the relevant regulation will be considered.

The Bank of Russia will also consider **stimulating the sustainable finance market and increasing the interest of its participants**. The regulator will explore the issue of introducing incentive-based regulation for sustainable development projects similar to the regulation applicable to TS and SAE projects. The development of this market may also be fuelled by other measures of support, including tax benefits both for companies issuing sustainable finance instruments and for investors in such instruments, as well as mechanisms of subsidies and government guarantees.

The Bank of Russia implements its own corporate sustainable development policy. The regulator plans to extend this policy to its subsidiaries, which will facilitate a more efficient use of resources and ensure the Bank of Russia's contribution to achieving the sustainable development and climate-related goals.

The harmonisation of approaches to the regulation of sustainable development financing with those used in friendly countries will be continued with respect to disclosing information about sustainable development and determining specific features of climate finance.

Objective 6. Development of the insurance market

Amid the structural transformation of the economy, the role of the insurance market, which is designed to protect businesses and individuals' well-being, will significantly increase. Life insurance can become one of the instruments contributing to the formation of internal sources of long-term financing for the economy. Besides, an expansion of its coverage is directly related to an increase in

[28] Information letters and recommendations on sustainable development posted on the Bank of Russia website.

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

individuals' confidence in this investment instrument. For these purposes, **in 2027, a guarantee system under life insurance contracts will be launched** in the life insurance market[30] to secure individuals' long-term investments. This system will be based on the same principles as the bank deposit insurance and NPFs' pension resource guarantee systems. If an insurer goes bankrupt, its obligations to clients, within the limits established by law, will be fulfilled at the expense of the guarantee fund formed from insurers' contributions.

The insurance market is constantly developing and provides consumers with insurance products that best meet their interests. A new complex product – **ULLI**[31] – will be launched in the Russian insurance market on 1 January 2025. It will provide consumers with not only a long-term life insurance programme but also flexible investment opportunities. This product protects investors' rights and allows them to invest a part of the insurance premium in the investment units chosen by the policyholder.

The Bank of Russia will continue **monitoring the efficiency of the regulation of insurance terms for voluntary types of insurance with a low customer value**,[32] and the requirements for disclosure of information about an insurance product, which were introduced in 2022–2023.[33] The regulation of prescribed types of insurance will be improved further to address the problems of insurance services accessibility in certain areas. In the long term, this will help increase confidence in the insurance market.

To increase the customer value of popular insurance products and make the process of determining their basic characteristics more transparent for customers, the regulator will consider **establishing minimum guaranteed insurance terms** that ensure actual insurance protection under the relevant insurance contracts and appropriate disclosure of comprehensible and concise information about insurance products.

The Bank of Russia will continue enhancing information transparency and encouraging information exchange in the insurance market. To this end, **the Bank of Russia was directly involved** in creating a regulatory and technological base to ensure the operation of **a centralised system for collecting, analysing and storing information (the AIS of insurance)**, i.e. requirements for the data fed into it and for the system's security have been established. In 2024, insurers started to transmit the data on compulsory and voluntary motor insurance and home insurance into the system. Subsequently, work will be done to arrange and systematise the mechanisms of control over the completeness and quality of the data in the AIS of insurance using all the available mechanisms.

Furthermore, the Bank of Russia, together with the executive authorities and insurance market participants concerned, will explore the issue of **standardising the formats of electronic documents** to facilitate interaction between medical instititions and insurance companies. This will simplify and accelerate the exchange of documents between them and increase the quality of the services they provide.

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

[31] An equivalent of the unit-linked insurance plan, which is popular in foreign insurance markets.

[32] The indicators of low customer value include low-probability events among insured risks and a long-term low level of insurance payments.

[33] The Bank of Russia approved the regulations providing for the disclosure of information on voluntary insurance contracts in the form of a key information document as well as establishing the minimum (standard) requirements for the terms of certain types of voluntary insurance, aimed at increasing the customer value of insurance products (Bank of Russia Ordinance No. 6107-U, dated 28 March 2022; Bank of Russia Ordinance No. 6109-U, dated 29 March 2022; Bank of Russia Ordinance No. 6139-U, dated 17 May 2022; and Bank of Russia Ordinance No. 6494-U, dated 2 August 2023).

The Bank of Russia will also continue **implementing a risk-based approach to regulating the insurance sector** in terms of modifying the assessment of insurance risks and determining the regulatory requirements for capital adequacy. There are plans to implement a more precise insurance risk assessment model both for life insurance based on the concept[34] developed in 2024 and other insurance types. It will help better determine the amount of insurers' required capital and therefore more precisely assess their financial resilience. The requirements for insurers' corporate governance system will be expanded, and the requirements for their risk management system will be adjusted.

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

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

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

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

Phasing-out of the regulatory easing

Most of the work **to cancel the regulatory easing** introduced to support the financial market and the economy during the acute phase of the crisis in 2022 has been done (for example, fixing exchange rates and securities prices, granting the opportunity not to downgrade the assessment of loans). The phasing-out of these measures is gradual while ensuring adequate risk control in the financial sector. The phasing-out schedule has been created for several types of easing (for example, the temporary reduction of capital buffers will be gradually restored to the target level of 3.5% for SICIs and 2.5% for banks with a universal licence by 2028 and it will be possible to extend the formation of reserves for the blocked assets until 2032).

[34] Concept for Calculating Life Insurance Risks. Amendments to Provision 781-P.

Banking regulation

The Bank of Russia will continue to improve the banking regulation, in particular based on the initiatives described in the document Promising Areas of Banking Regulation and Supervision Development: Current Status and New Objectives (2024).

Along with the measures that have already been implemented, such as adjusting the OCP regulation,[35] amending the procedure for calculating the market risk,[36] updating the procedure for CICIs to calculate the LCR,[37] the regulator plans **to improve the approaches to the assessment of key risks, including concentration, liquidity and credit risks through the following measures:**

– **Enhancing the approaches to limiting concentration of credit risks**[38] – apart from phasing out the easing of the requirements for calculating the concentration ratios, the key proposals include adjusting the N6, N21, and N25 ratios as well as developing and gradually implementing H30 for SICIs. The regulator plans to ease some regulations in force. For example, for certain ratios, it will no longer be mandatory to group highly-reliable companies that are operationally independent as related borrowers. Moreover, the Bank of Russia is considering the option not to calculate the concentration on consolidated leasing and factoring subsidiaries of banks. The regulation is to be amended gradually, from 2025 to 2030, and banks should be provided with concentration risk management tools to help them achieve the ratio targets. The implementation of the approaches proposed by the Bank of Russia will help reduce credit concentration risks, with banks maintaining the necessary potential for granting loans to major companies.

– **Developing the concept of a risk-sensitive limit on immobilised assets and gradually introducing it into the regulation.** Such assets do not give rise to claims for the repayment of monetary funds, can have low liquidity, are not core assets for banks and their concentration on balance sheets may subsequently have a negative effect on the financial resilience of individual credit institutions. Therefore, the regulator plans to limit the risks of banks accumulating immobilised assets and implement a special limit as a percentage of capital. When this limit is exceeded, excessive investments will be subtracted from capital, i.e. will be almost fully covered with the bank's equity.

– **Introducing the national LCR**[39] for SICIs (instead of the Basel LCR), taking into account the nation-specific features of the Russian financial sector, which is important for more precise regulation of banks' liquidity.

– **Ensuring compliance with the legislation on SICIs' mandatory transition to the IRBA**, which will allow the largest banks to apply the model approach to the credit risk assessment. The relevant amendments to the Bank of Russia regulations will facilitate the application of precise and reliable credit risk assessments by banks as well as the reduction of the Bank of Russia's and banks' costs associated with validating banks' IRBA methodologies and models.

– **Revising the assessment system for borrowers that are developers** by changing the list of assessment criteria (excluding secondary criteria and adding risk-sensitive ones), determining their significance and extending them to all stages of a project's life cycle, which is aimed at ensuring better ranging of projects in terms of their reliability.

– **Developing the requirements for banks' operational resilience and operational reliability.** The regulator will update the requirements for managing operational risks when banks outsource critical

[35] Bank of Russia Instruction No. 213-I, dated 10 January 2024, 'On Open Positions of Credit Institutions on Exchange Rate Risk'.

[36] Bank of Russia Ordinance No. 6676-U, dated 1 February 2024, 'On Amending Bank of Russia Regulation No. 511-P, Dated 3 December 2015, 'On the Procedure for Calculating Market Risk by Credit Institutions'.

[37] Bank of Russia Ordinance No. 6667-U, dated 10 January 2024, 'On Amending Bank of Russia Regulation No. 421-P'.

[38] The consultation paper Regulating Credit Concentration was published.

[39] The consultation paper New National Liquidity Coverage Ratio and the report following the public discussion of the consultation paper were published.

functions, which includes differentiation of the requirements for suppliers and monitoring of function performance as well as the requirements for operational reliability and information protection.

To encourage banks to mitigate risks and maintain optimal values of risk indicators, the Bank of Russia plans **to differentiate the requirements for compliance with a number of ratios and introduce increased insurance premiums to the CDIF or other funds (the 'orange zone' concept)**. This concept involves the introduction of a flexible regime of compliance with concentration ratios and the national LCR: if banks undertake suboptimal risks which are not critical, they will pay increased insurance premiums to the CDIF, but this will not be regarded as a violation of a mandatory ratio and therefore will not cause automatic application of enforcement measures.

The deposit insurance system will be improved. In 2024, the regulator published the Concept[40] of differentiating the insurance compensation limit and the rates of insurance premiums payable to the CDIF. It provides that the insurance compensation limit for long-term ruble-denominated deposits and irrevocable savings certificates should be increased and that the relevant rates of insurance premiums payable to the CDIF should be reduced.[41] These innovations will make long-term deposits more attractive to clients, allow banks to increase their profitability and ensure an inflow of stable long-term liabilities to finance the economy.

The Bank of Russia will continue **to develop risk-sensitive incentive-based regulation**, including by extending it to new participants (banks with a basic licence) and additional types of projects and instruments (sustainable development projects, equity investments of credit institutions in joint funds with VEB.RF, investments in government bonds under TS and SAE projects).[42] The innovations will stimulate the funding of areas that are critical for economic development, including TS and SAE projects.

The development of the regulations applicable to FBBs, in particular approaches to calculating ratios, compiling reports and applying measures, is underway. This will help create a regulatory environment for efficient operation of FBBs in the Russian market.

The Bank of Russia will further develop the practice of **supervisory assessment of banks**, which will help form an opinion on their financial stability taking into account the risk profile, the quality of FSRPs, SST results and the available resources to cover the risks. In this regard, the regulator plans to:

– **Change the approaches to the assessment of banks' economic situation based on the supervisory rating system** to make it more risk-sensitive.[43] The assessment will take into account all available supervisory information (for example, FSRP and SST assessment results) and will help range banks in terms of the risk level more precisely and better adjust the intensity of the Bank of Russia's supervisory activities.

– **Develop the ICAAP regulation.**[44] The Bank of Russia plans to update the requirements for managing certain risk types, optimise the ICAAP information collection form and upgrade the approaches to the ICAAP supervisory assessment.

– **Increase the role of banks' SST.** The regulator plans to publish and discuss the concept of developing and using the SST for supervisory assessment with the banking community by the end of 2024. The agenda will include the future stress testing architecture and the Bank of Russia's

[40] The concept Differentiation of the Insurance Compensation Limit and the Rates of Insurance Premiums Payable to the Compulsory Deposit Insurance Fund Depending on Deposit Types, Maturities and Currencies.

[41] For details, see Objective 4 'Banks' participation in economic development financing' within this area.

[42] For details, see Objective 4 'Banks' participation in economic development financing' within this area.

[43] The consultation paper regarding the supervisory rating is to be published in 2024.

[44] The concept of the proposed amendments will be published on the Bank of Russia website by the end of 2024.

methodology for assessing its results. After the discussion, the necessary changes to the banking regulation will be considered.

– **Develop the FSRP regulation** to encourage banks to independently implement measures to keep the capital and liquidity under pressure without requiring government support or regulatory easing. To this end, the requirements for stress scenarios, FSRP triggers and measures to restore financial stability will be updated. The regulator is additionally exploring the issue of increasing the involvement of bank owners and management in the planning process and when FSRPs are triggered. The new requirements are expected to come into force in 2025.

The established Standards Committee is **to introduce a new format of soft regulation – operational standards for credit institutions** – in cooperation with the market and the Bank of Russia. The first standard for protecting the rights and legitimate interests of mortgage borrowers[45] has already been approved by the Standards Committee. The main purpose of the document is to minimise the proliferation of high-risk mortgage lending schemes and ensure that borrowers have a clearer understanding of the loan terms and associated risks. The regulator is considering including the information on credit institutions' non-compliance with the operational standards in the supervisory assessment.

Once introduced, these innovations will facilitate the development and improve the resilience of the banking sector, make banks more customer-oriented and enhance their role in financing the economic development of the country.

Information on the plans/status of the initiatives is regularly published in the Bank of Russia's banking regulation reviews and plan for the issue of regulations for the coming year.

Regulation of the microfinance market

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

Between 2025 and 2027, the regulator plans **to change the configuration of the MFO market** by dividing it into three segments (business financing companies, target financing companies and microfinance companies) and **to comprehensively revise prudential regulations with respect to each company type**. The changes will primarily affect the market of the most expensive consumer microloans: it is proposed to establish a limit on the number of contracts simultaneously in force, introduce a cooling-off period between the dates of signing microloan agreements, and reduce the maximum amount of total interest and fees payable on a microloan. All these measures will help make microloans more affordable for people and businesses, protect individuals against an uncontrollable rise in outstanding debt and boost confidence in the market. Specific steps will be devised after the consultation paper[46] is discussed with market representatives.

In February 2025, **the Bank of Russia will introduce a new model for admitting credit cooperatives to the market** and establish business reputation and/or qualification requirements for certain officials of credit cooperatives, including the sole executive body.[47] These measures will enhance the security of individuals' personal savings deposited at CCCs and reduce the risks of the emergence of pyramid schemes disguised as CCCs. In the future, the Bank of Russia plans to introduce a new model for admitting ACCCs to the financial market.

[45] On the mortgage borrowers protection standard.

[46] Microfinance Market Development Prospects for 2025–2027.

[47] Federal Law No. 254-FZ, dated 8 August 2024, 'On Amending Certain Laws of the Russian Federation'.

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

To ensure financial consumer protection, the regulator plans **to improve the institution of SROs' administrative liability and that of administrative liability for illegal use of MFOs' names**.

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

The Bank of Russia will continue to improve the regulation and supervision of the activities of management companies, trust managers, brokers, investment advisers to ensure their stability under new conditions and to take measures to enhance the protection of investors' rights and legitimate interests. Furthermore, the Bank of Russia together with Rosfinmonitoring should explore the issues of empowering PSMPs and management companies of investment funds, UIFs and NPFs to delegate the customer identification function to other PSMPs, management companies and NPFs as well as the issues of making a similar list of persons which NPFs may instruct to perform identification procedures.

The main measures will be aimed at improving the quality of services provided by these financial institutions and protecting consumer rights. This is especially relevant in the context of individuals' growing demand for capital market instruments and the increasing role of financial intermediaries providing investment services to retail customers.

The Bank of Russia will improve **the regulation and supervision of investment advisers' activities**. Financial consulting is becoming increasingly widespread as a large number of retail clients have been entering the securities market. In addition, the range of offered services similar to investment consulting has been expanding, but they are outside the scope of the existing legal framework. Taking this into account, along with updating the concept of individual investment advice, it is planned to determine possible approaches to the regulation of services that are identical or close to investment consulting but are not recognised as such due to a number of formal characteristics.

The Bank of Russia will also evaluate the possibilities of improving **the regulation regarding the use of robo-adviser applications** – electronic programmes used by investment advisers to provide automated investment advice to customers.

Regulation of non-governmental pension funds

The Bank of Russia will continue to improve the regulation and supervision of the activity of NPFs that are engaged in NPP, the formation of long-term savings (the LSP) and mandatory pension insurance. Funds entrusted to NPFs are guaranteed by the Deposit Insurance Agency and are a source of long-term resources in the financial market.

To increase demand for NPFs' products, the LSP ensuring the formation of additional long-term capital[48] was launched and the remuneration system applicable to NPFs engaged in NPP and the LSP was adjusted. In 2024, the Bank of Russia released **the requirements for the calculation of income from the investment of pension reserves for the purposes of calculating the variable component of the**

[48] For details on the LSP, see Objective 1 'Development of long-term savings and investment instruments for individuals' within this area.

remuneration and determined a special financial benchmark,[49] which is the return on bank deposits. The specified requirements provide that an NPF's remuneration will depend on whether the income from the investment of pension reserves exceeds the benchmark, which creates additional incentive for NPFs to secure higher income for their customers.

From 1 January 2025, NPFs will be obliged to identify conflicts of interests and manage them, which will also boost individuals' confidence in NPFs.[50]

Since NPFs' funds are the source of the so-called long-term money, in order to provide NPFs with additional investment opportunities, the Bank of Russia plans **to lift certain restrictions on the range and structure of assets in which pension reserves are invested** (transition from the quasi-investment policy statement to the risk-based approach under which the expansion of NPFs' opportunities is balanced by the development of stress testing and the tightening of the requirements for its results).

The Bank of Russia also plans to update **the requirements for the NPFs' internal control** to take into account the significant amendments to the legislation made over the past years and a new type of NPFs' activity related to making long-term savings.

3.2. Financial consumers and investors protection, enhancement of financial inclusion for households and businesses

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

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

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

[49] Bank of Russia Ordinance No. 6782-U, dated 28 June 2024, 'On the Procedure for Calculating the Income From the Investment of Pension Reserves for the Purpose of Calculating the Variable Component of the Remuneration of a Non-governmental Pension Fund Engaged in Non-governmental Pension Provision, the Formation of Long-term Savings, as well as the Estimated Amount of the Income From the Investment of Pension Reserves and on the Amount of the Special Financial Benchmark Used to Determine the Specified Estimated Amount'.

[50] Bank of Russia Ordinance No. 6883-U, dated 1 October 2024, 'On the Requirements for the Identification of Conflicts of Interest of Non-governmental Pension Funds and Management of Conflicts of Interest of Non-governmental Pension Funds and for the Internal Document of Non-governmental Pension Funds Developed Pursuant to the Specified Requirements' (submitted to the Russian Ministry of Justice for state registration).

Objective 1. Developing and adapting the financial consumers and investors protection system while taking into account changes in the financial market

Protection of non-qualified retail investors. For the Russian financial market to develop, it is important to ensure non-qualified retail investors' enduring confidence in the capital market while limiting the risks for this category of investors.

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

In May 2025, legislative amendments enhancing the requirements for obtaining the status of a qualified investor will come into force. First of all, the amendments provide for a shift from recognising individuals as qualified investors on formal grounds, such as the amount of assets, to a broader use of education criteria relating to investors' knowledge, the possibility to combine the property-based criterion with other criteria, including the level of knowledge, and the introduction of a new independent criterion, which is income. Simultaneously, a special qualification examination will be introduced. If individuals with an insufficient amount of assets, level of income or experience in trading pass it, they will obtain the status of a qualified investor even if they do not comply with other criteria. Furthermore, there are plans to increase the required amount of assets and change their structure, establish requirements for the documents confirming such assets, exclude the securities market legislation clause that links the status of a qualified investor to only a specific instrument or list of instruments.

The system of **of non-qualified investors' rights protection on investment platforms and the DFA market** will be improved to eliminate regulatory arbitrage when financial instruments that are similar in nature are purchased. In particular, the amendments propose:
- upgrading the mechanism for calculating the annual limit on investments in the form of granting loans, made by non-qualified investors via investment platforms;
- assessing whether it is prudent to change the features of the DFAs that can be purchased by non-qualified investors; and
- improving the mechanism for operators of information systems where DFAs are issued to terminate their activities.

For the purposes of protection against the custody risk, securities issued by residents of foreign countries and related derivatives (except for the securities associated with the EAEU and related derivatives) will be classified as financial instruments intended for qualified investors.

In addition, there are plans to continue **forming unified electronic registers of individuals recognised as qualified investors**. This measure will help reduce unfair practices when granting the status of a qualified investor.

It is critical to implement mechanisms allowing consumers to assess whether the terms of a particular financial product are clear and meet their expectations. For the above purposes, the testing mechanism for transactions with securities of individuals that are not qualified investors has already been used in the securities market and on financial platforms. From October 2024, consumers have to pass a test before entering into life insurance contracts that provide for additional investment income.

To combat financial misselling, it is planned to consistently **expand the scope of application of the cooling-off period in the financial market** to enable customers to withdraw from the relevant contract and get a refund.

The objective to ensure that consumers are timely provided with high-quality information about the properties of and risks associated with financial products remains relevant. There are plans **to vest the Bank of Russia with the powers to establish requirements for the content of the information to be disclosed** to financial consumers **by credit institutions and NFIs at the places where the services are provided** and on official websites.[51] In addition, to enhance the protection and awareness of banking product consumers, the established Standards Committee is working on adopting operational standards for credit institutions.

In order to settle disagreements between consumers and financial institutions more quickly and efficiently, possible **approaches to implement mediation technologies in the financial market** will be explored. The Standard on Comprehensive Debt Settlement[52] recommended for application by credit institutions can serve as a relevant example. It is aimed at supporting borrowers that are in debt to several creditors under loan agreementsand facing hardships. To make the comprehensive debt settlement procedure more efficient and extend it to all creditors, it should be mandatory and enshrined in legislation. Therefore, the Bank of Russia and the Financial Ombudsman Service are currently engaged in the development of the legislative amendments establishing **comprehensive debt settlement as a single mandatory pre-trial procedure for settling disputes** between creditors and individual borrowers , allowing the Financial Ombudsman to participate in the procedure (at certain stages).

Financial consumers' demand for payments in instalments has been rapidly growing. However, there is no special regulation in this market segment. Besides, the main consumers of this financial product are low-income individuals who need additional protection from over-indebtedness. In this regard, there are plans to create a legal framework for **regulating**[53] **instalment payments**, which involves determining conditions for service operators[54] to perform their activity, establish rules for providing information about rights and guarantees similar to those set out in the legislation on consumer loans/microloans for individuals purchasing goods (work, services and results of intellectual activity) using so-called instalment payment services aimed at enhancing the transparency of the financial services market, maintaining financial stability and combating the spread of shadow financial services.

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

– improvement of risk-based behavioral supervision tools, including the development of tools to identify and assess potential consumer risks in supervised entities' operations;

– combination of supervisory and advisory components in the Bank of Russia's activity as a systemic approach to the development of conduct supervision; and

– change of financial institutions' management paradigm to make financial service providers' business models more customer-oriented.

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[51] The draft federal law 'On Amending Article 5 of the Federal Law 'On the National Payment System' and Article 5 of the Federal Law 'On Consumer Loans (Microloans)'.

[52] Information Letter No. IN-03-59/33, dated 25 April 2023, 'On the Standard for Protecting the Rights and Interests of Borrowers That Are Individuals in the Course of Debt Settlement Under Loan Agreements Concluded for Purposes not Relating to Entrepreneurial Activity'. At present, the Standard on Comprehensive Debt Settlement is applied by 11 banks, including major ones, which proves that this mechanism is popular among market participants, even though it is advisory in nature.

[53] Draft federal law No. 689381-8 'On Providing Instalment Payment Services' was put before the Russian State Duma on 5 August 2024.

[54] The instalment service operator undertakes to execute a user's order to pay the price of the contract for the purchase of the item at issue and the user undertakes to repay the costs incurred by the operator when executing this order.

One of the issues on which the Bank of Russia is currently focused is **increasing credit institutions' liability for legislative offences relating to misselling, tied selling and other unacceptable practices** affecting financial consumers in order to decrease the spread of these practices and change the customer service policy.

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

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

The Bank of Russia will continue to use the behavioral assessment tool with respect to the regulatory requirements related to the form and content of and the procedure for informing clients about financial products as well as those regulating the procedure used by financial product providers to communicate with clients.

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

The Bank of Russia, together with financial market participants, will continue to take measures to protect financial consumers and increase confidence in digital technologies as part of the adopted legislative initiatives. To this end, the regulator identifies illegal financial services providers and warns consumers about the danger of interacting with them and prevents unauthorised transactions and social engineering attacks.

The legislative amendments[55] allowing individuals **to set a self-ban on loans/microloans in their credit histories and recognising such information as legally significant** (the mechanism for individuals to set a self-ban) will come into force on 1 March 2025 and will make it possible to efficiently combat fraudsters taking out consumer loans/microloans by illegally using individuals' personal data or social engineering techniques to deceive individuals into getting consumer loans/microloans and transferring borrowed money to fraudsters. The key condition of this mechanism is the use of an individual's TIN ensuring unambiguous identification of the individual both when a self-ban is set/lifted and when a creditor checks the individual's credit history before issuing a consumer loan/microloan. The necessary organisational and technical measures will be taken to enable individuals to submit a self-ban application via the Public Services and multifunctional centres providing public and municipal services and to obtain data as to whether the self-ban has been set.

There are plans to further develop the legal framework regulating the mechanisms for **combatting fraudulent schemes to steal money by using social engineering techniques** aimed at manipulating individuals into taking out loans/microloans and transferring the money to fraudsters through threats, deception and abuse of trust. It is proposed to establish a cooling-off period for loans/microloans exceeding a certain threshold before the customer receives the money. Fraudsters often simulate situations where the victim needs to make a decision as soon as possible. Therefore, an additional pause before getting the money will allow the customer to carefully analyse the situation and his/

[55] Federal Law No. 31-FZ, dated 26 February 2024, 'On Amending the Federal Law 'On Credit Histories' and the Federal Law 'On Consumer Loans (Microloans)'.

her actions. Furthermore, the regulation should provide for an additional method for individuals to protect their money from fraudsters, i.e. designation of a person by an individual to confirm financial transactions. Thus, the customer, together with the credit institution, will be able to compile a list of certain transactions requiring a confirmation from the customer's designated person. The designated person will be able to reject the transaction if he/she suspects that the money will be transferred to fraudsters.

To enable creditors to make relevant conclusions about the borrower's profile, it is proposed to introduce legal provisions establishing a mechanism for the exchange of recent information regrading loan applications, denied applications, concluded agreements and loans granted in near real time by using the infrastructure of credit history bureaus.

To combat unlawful activities, the Bank of Russia makes continuous efforts to terminate the activities of illegal entities. The Bank of Russia will continue to participate in **supporting and enhancing the operation of the integrated system for combatting illicit activities** in the Russian financial market based on the current interagency action plan including a set of measures to systematise, step up and structure the work in this area. Simultaneously, it is necessary to take into account the role of financial consumers in countering unlawful activities and fraud, in particular the level of their financial prudence. To improve this parameter, it is important to timely notify consumers about potentially illegal providers of financial services and to enhance communication with consumers.

The Bank of Russia will continue **using modern automation tools to promptly identify companies and projects having the signs of pyramid schemes and illicit activity** in the financial market, including on the Internet, as well as initiating measures to limit access to the websites of illegal financial service providers. The implementation of this objective will be facilitated by the introduced ban on publicly raising individuals' investments by anyone other than the persons that are legally allowed to do this.

To ensure cybersecurity in the financial sector, the Bank of Russia will develop measures aimed at increasing the quality and security of services provided by financial institutions. A comprehensive approach will be adopted, i.e. from improving the methodology to analyse the security level of the services and their testing to implementing security procedures when the services are put into operation or when they are upgraded.

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

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

More details on the key information security goals and objectives in the financial sector are available in the Guidelines for the Advancement of Information Security in the Financial Sector for 2023–2025.

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

The Bank of Russia's key objective with respect to **improving financial literacy and developing financial culture** is to ensure that citizens of the Russian Federation form the key elements of financial culture (values, behaviour patterns and practices) to foster financial well-being of individuals, families and society.

The main priorities, goals, objectives and instruments of work in this area are described in the Strategy for Improving Financial Literacy and Developing Financial Culture Until 2030.[56] In accordance with this Strategy, the Bank of Russia will:

– **Improve financial literacy of economically active adults**, taking into account their needs at different stages of life. Working adults are the core financial consumers and drivers of the financial market development, and their financial decisions (in particular, regarding investment, spending and loans) have a substantial effect on the economy. For this category of consumers, corporate training activities will be organised and the potential of creative industries will be leveraged; and

– **promote financial literacy** through the education system. Given the adoption of the FSES with elements of financial literacy at all levels of the education system, the next step will be to build a system for assessing the quality of financial literacy education and the level of financial literacy among students at all education levels. Therefore, the Bank of Russia will continue to update and prepare methodological and educational materials on financial literacy for all education levels, including creation of a course on financial literacy to be published in the library of the FSIS education platform – My School. Particular attention will be focused on preparing adapted financial literacy materials for the most vulnerable groups of the population, such as orphans and children without parental care as well as students with disabilities. In addition, the Bank of Russia, jointly with the Russian Ministry of Finance and the Russian Ministry of Education, will continue efforts to train teachers.

Owing to a considerable increase in private investors' interest in the capital market, **improving individuals' investment literacy** has become a key area of work. In this regard, it is essential to promote the basic principles of rational behaviour when making investments, using digital technologies in the financial market, ensuring personal financial safety; to develop reasonable risk attitude and teach how to choose the right investment strategy, including through collective investment as the least risky method of entering the capital market for non-qualified investors; to provide better information and advice to households; and to teach them how to navigate the information environment and use reliable sources of information more efficiently. One of the objectives in this area is to facilitate the development of accreditation for investors training courses on the basis of the Financial Literacy Development Association to promote mindful use of investment products.

In order to foster rational financial behaviour among various categories of individuals, it is planned **to educate and inform them about relevant finance topics,** including creation of **special programmes and courses on key finance topics, such as digital, investment and financial literacy, taking into account the human life cycle**. Special attention will be paid to ensuring that individuals understand the terms of personal bankruptcy and its consequences.

To ensure safe provision of financial services, the Bank of Russia plans to put **a special focus on the development and promotion of the basic skills and attitudes in the area of digital financial literacy and cyber hygiene** among socially vulnerable groups of people (low-income individuals, pensioners, orphans, children without parental care and people with disabilities). New approaches to informing customers about possible risks of unauthorised access to personal and financial data and fraudulent transactions

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

through social engineering are to be updated considering the analysis of financial consumers' behaviour patterns and codified, if necessary.

In addition, there are **plans to**:

– develop a feedback system and ensure that consumers are kept informed about relevant issues and changes in the financial market;
– boost individuals' confidence in the capital market by providing accurate information that is sufficient for people to make wise financial decisions;
– develop a volunteer financial literacy and financial culture movement, including by involving businesses in volunteering and the development of resource centres for financial education volunteers with the participation of the Financial Literacy Development Association;
– promote financial literacy and financial culture ideas among representatives of financial institutions, businesses, civil society and non-profit organisations;
– help SMEs adapt to the changes in the financial market and inform them about available business financing and development tools;
– develop the system to manage programmes for improving financial literacy at the federal and regional levels;
– foster international cooperation in the area of improving financial literacy and promoting financial culture; and
– engage the research and development community to take into account behavioural and psychological aspects when promoting financial culture.

Concurrently, consumers will be **adapting to new technological solutions**: AI, robo-advisers, M2M and M2B technologies, marketplaces and other platform and ecosystem solutions that are introduced in the financial market.

In order to assess the level of financial literacy, the Bank of Russia conducts **surveys in the area of financial literacy and financial culture in Russia**. The findings are used for arranging and adjusting (if necessary) subsequent work related to financial literacy.

When new technologies are promptly integrated into the economy and the financial market, individuals, employers and employees become increasingly interested in constantly updating their knowledge and skills. The education system should ensure not only primary training for specialists but also continuous advanced training for employees necessary for the financial market to function and develop. In this regard, an important education objective is **to train staff for the financial market** jointly with financial and educational institutions and businesses.

The Bank of Russia will continue working **to develop the qualifications of financial market professionals**. To this end, the Bank of Russia will integrate its own education initiatives into the training programmes of higher educational institutions; continue to participate in collective management bodies of the national qualification system and conduct surveys of the labour market and a comprehensive analysis of opinions of financial institutions about the level of professional qualifications; organise expert platforms to discuss the improvement of the staff training model; and contribute to the establishment of an efficient system for cooperation between educational institutions and employers.

Furthermore, to develop staff training systems for the financial sector, the Bank of Russia conducts an annual survey of financial institutions' demand for information security specialists.

Objective 4. Enhancing accessibility of high-quality financial services to households, small and medium-sized businesses. Ensuring financial market inclusion

The advancement of the financial market, its further digitalisation and the measures aimed at fostering financial inclusion ensured a rather high level of financial inclusion in Russia.

To create favourable conditions for **providing consumers with high-quality financial services with a special focus on vulnerable groups and priority areas of business**, the Bank of Russia will concentrate on the following objectives:
- creating conditions for the market to offer **high-quality financial services** to customers and for public financial health to improve as a result of better financial inclusion, encouraging consumers to make informed choices;
- increasing **the accessibility and the range** of financial services offered to households and businesses by developing online service channels while reducing **digital inequality risks and improving cybersecurity**;
- ensuring **financial market inclusion**, with the protection of vulnerable groups of people and persons experiencing difficulties in accessing financial services as a top priority; and
- expanding opportunities for businesses to raise **debt and equity financing**.

Any consumer should have an opportunity to quickly and safely access any high-quality financial service anywhere at any time. Concurrently, it is crucial to create conditions where consumers could feel confident about their financial future, fulfil current and ongoing financial obligations and be able to make choices that would improve their **financial well-being**. Apart from ensuring financial inclusion, the Bank of Russia plans to focus on creating conditions for the market to offer consumers high-quality financial services that meet their needs and encourage consumers to make informed choices.

To increase customer centricity in the financial market, the Bank of Russia will facilitate **the introduction of the Product Governance Principles**. Together with supervised entities, their SROs and associations/unions, the regulator plans to include product governance provisions in the operational standards, taking into account the Methodological Recommendations.[57] The Bank of Russia will continue encouraging the development of the systemic approach to financial product governance, which will help develop products that meet consumers' expectations and ensure that they are transparent and clear to consumers.

Developing long-term savings and investment instruments for individuals and encouraging households' saving activity[58] will also improve their financial well-being.

In the next years, **enhancement of digital financial inclusion** will remain a key focus for the Bank of Russia. The regulator will continue analysing the barriers preventing individuals and businesses from actively using remote formats to obtain financial services in order to take measures eliminating such barriers. Remote service channels should not only be convenient and fast but also ensure reliable protection of personal data, cybersecurity and respect for consumers' rights.

Furthermore, when switching to online channels that do not involve direct person-to-person communication, it is necessary to protect the interests of the consumers who are unable or not ready, for various reasons, to use this form of communication with financial service providers. The process of enhancing financial inclusion may be different in Russian regions, so it is essential to take into account their geographical and territorial characteristics, the penetration of mobile devices and remote services, people's mental readiness to work with the digital environment and other factors.

[57] Methodological Recommendations on Financial Product Governance No. 19-MR, dated 27 December 2023.

[58] For details, see Objective 1 'Development of long-term savings and investment instruments for individuals' of Area 3.1 'Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the resilience of the financial sector'.

Therefore, even when online service channels are widely used, it should still be possible **to interact with employees of financial institutions in person**.

The Bank of Russia **monitors groups of individuals and businesses that may be exposed to the risk of digital inequality**, especially taking into account that not all of the populated territories in Russia are covered by the Internet yet and online services should be adapted for some categories of consumers to be able to use them. Special attention will be dedicated to **financial inclusion issues** of great social significance, such as ensuring access to financial services for the residents of remote and sparsely populated areas and creating a barrier-free financial environment for people with disabilities, elderly and physically challenged people.

Despite a significant progress in ensuring the accessibility and encouraging the use of remote service channels in rural areas and in remote, sparsely populated and hard-to-reach territories,[59] in the coming years, the regulator will focus on **maintaining a sufficient infrastructure of physical service points there**. The development of 'simplified' formats of financial institutions' presence is prioritised, which includes:

– availability of certain types of services at TSCs (cash withdrawal and acceptance for payment card transactions, acceptance of payments, certain payment transactions without opening an account or electronic wallet); and

– expansion of the coverage of services supplied by mobile offices with multifunctional ATMs, credit institutions' field employees with mobile technical devices providing a broader range of financial services as well as bank payment agents' points of service, including with the cash withdrawal option.

Along with active involvement of the Bank of Russia's regional branches in achieving the objectives to enhance financial inclusion in remote and sparsely populated areas, in 2025–2027, the Bank of Russia plans to focus specifically on **increasing the involvement of regional authorities and administrations of municipalities in the implementation of regional measures to enhance financial inclusion** in rural, remote, sparsely populated, and hard-to-reach areas. Such measures will be taken together with credit institutions and communication operators as well as State Duma deputies from the regions included in the relevant regional task forces coordinated by the Bank of Russia's regional branches. Availability of transparent analytical information about the accessibility of the financial service infrastructure in residential areas will facilitate the dialogue with Russian regions and help solve their occasional problems.[60]

Switching to remote services sets new objectives with regard to creating conditions for ensuring **secure access to high-quality financial products and services for individuals with special needs**, including people with disabilities, elderly and physically challenged persons. The Bank of Russia uses feedback from financial market participants and public organisations to develop recommendations for financial institutions to establish a barrier-free environment, improve the quality of their interaction with the above consumer groups, including through adapting access channels to remote financial services and the interfaces of online applications and services.

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

[59] The findings of the Bank of Russia's surveys suggest that, over 2021–2024, residents of rural localities and small towns (with up to 50,000 inhabitants) have almost closed the gap (+4.3 pp to 75.9%) with the country's average percentage of people accessing their bank accounts remotely (76.6% in Russia).

[60] The Bank of Russia publishes summary results annually starting from 2022 as of the end of 2022 and as of the end of 2023.

The Bank of Russia will continue **developing risk-based banking regulation** aimed at more accurate risk assessment to make lending to SMEs more attractive for banks and ensure a more efficient use of government support measures for SME financing.

To support businesses, the Bank of Russia is also considering introducing a permanent mechanism of credit holidays for SMEs and self-employed individuals.[61]

The regulator is maintaining focus on further **development of non-bank financing instruments for SMEs**, which involves expanding access to financial resources for SMEs through the stock market and crowdfunding platforms (including using support measures provided for by the national project Small and Medium-sized Enterprises and Support for Individual Entrepreneurship Initiatives), developing equity financing instruments, UDRs and DFAs, raising funds via financial platforms, factoring, leasing and microfinancing. The regulator plans to focus on establishing an optimal system of fundraising instruments for SMEs at different stages of business development, which are included in the national project Efficient and Competitive Economy until 2030[62] as well as on developing equity financing and extending and streamlining the existing measures of government support.

The development of **the national digital infrastructure** serves as the main driver of financial inclusion for households and businesses, reducing their expenses, making interaction with financial institutions faster and easier as well as promoting competition in the financial market.

The implementation and development of infrastructure solutions should contribute to better financial inclusion for SMEs. Their development will expand the range of offerings for SMEs, improve their affordability, and remove territorial restrictions. Broader use of the SBP by people to pay for SMEs' goods and services, including using QR codes, will significantly reduce businesses' costs associated with payment services. Implementation by the Bank of Russia of certain projects such as the Digital Profile, the UBS and **the KYC platform,**[63] will also help decrease SMEs' costs.

One of the Bank of Russia's key innovative projects, the Digital Ruble, will help automate control processes and settlements under agreements using smart contracts, which should enhance the security of transactions and mitigate the risk of non-payment for businesses. Furthermore, the fees charged for digital ruble transactions will be fixed, which will decrease the cost of their processing.

The potential for the inflow of resources through financial platforms will grow owing to the creation of legal conditions for **the use of financial platforms by legal entities and individual entrepreneurs**, the launch of new products on financial platforms (including in the field of NPP and the LSP), individuals' higher awareness about existing and new products and services and encouragement of a wider presence of regional financial institutions on financial platforms.

More details about the Bank of Russia's goals and objectives related to enhancing financial inclusion are available in the Bank of Russia's medium-term planning documents.[64]

[61] Draft law No. 684400-8 was put before the Russian State Duma on 30 July 2024.

[62] To maintain continuity with the national project Small and Medium-sized Enterprises and Support for Individual Entrepreneurship Initiatives.

[63] For more details on digital projects, see Area 3.3 'Digitalisation of the financial market and development of the payment infrastructure'.

[64] Priorities of the Financial Inclusion Programme of the Russian Federation for 2022–2024. Priorities of the Financial Inclusion Programme of the Russian Federation for 2025–2027 (draft, 2024).

3.3. Digitalisation of the financial market and development of the payment infrastructure

Promoting digitalisation of the financial market and developing the digital and payment infrastructure remain a strategic priority for the Bank of Russia.[65] The introduction of new technologies and support for innovation in the financial market enhance financial inclusion, making various types of financial instruments accessible to households and businesses, promote competition and help develop new business models, improve labour productivity and ultimately contribute to the structural transformation and development of the Russian economy.

The domestic payment infrastructure created by the Bank of Russia has ensured the continuity of payments, settlements and the operation of the financial system as a whole and has supported the country's payment sovereignty amid severe sanctions.

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

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

Objective 1. Regulation development

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

The work to develop and implement the regulation aimed at **advancing digital and payment services while ensuring the protection of individuals' and businesses' data as well as cyber resilience of the parts of the Russian national payment system** will continue.

To develop a competitive environment in the payment market, **the establishment of a legal framework regulating the operation of non-bank providers of payment services** will be completed.

IESOs are becoming increasingly important in the national payment system amid the rapid development of modern payment services. Since the volumes of such organisations' transactions are growing and a number of banks depend on their services, the Bank of Russia plans to implement measures to develop the regulation of IESOs' activity and introduce mechanisms for supervising their operation.

The development of the mechanism for remote biometric identification involves **ensuring legal environment aimed at improving the quality of biometric data in the UBS and making the process of collecting it more convenient**. Simultaneously, the Bank of Russia will continue to develop the regulation to increase the number of services involving biometric data available to individuals.

[65] Guidelines for Financial Technologies Development for 2025–2027.

The implementation of measures to further develop **the Digital Profile regulation** continues with the participation of the Bank of Russia. The Digital Profile is a single window for obtaining data from state information systems, subject to customers' consent, and for exchanging data between households, government authorities and businesses for the purposes of providing financial products and services in a digital format in accordance with the requirements and principles of Russian laws on personal data. In particular, the regulation will be developed further to extend the list of data available in the Digital Profile of an Individual or the Digital Profile of a Legal Entity, necessary for providing services to households and businesses.

The Bank of Russia took into account the opinions of market participants to devise proposals concerning **the regulation of Open APIs** when implementing the Open Finance model as well as proposals on amendments to the legislation giving the necessary powers to the Bank of Russia. The adoption of the relevant amendments will help create legal conditions for the introduction of Open APIs.

When creating an environment conducive to **the development of AI in the financial market**, the Bank of Russia will use the risk-based approach to identify the areas of AI application by financial institutionsthat require regulation.[66] Furthermore, the Bank of Russia plans to monitor and analyse current AI risk management practices of Russian financial institutions. The results of this analysis will be used to devise proposals on the content of the Code of AI Ethics in the Financial Market and assess the need for amending the current regulation.

The Bank of Russia, together with the relevant federal executive authorities, will continue to develop **the regulation of data exchange**.

The Bank of Russia will expedite the adoption of the regulation establishing **a legal framework for creating a single point of access to verify information about subscribers**. When launched, this system will help reduce the risks of fraud and allow organisations that use customers' telephone numbers for providing remote services to make sure that the specified telephone number belongs to a specific customer.

The Bank of Russia also believes it necessary to further develop **the regulation of digital rights** and provide financial market participants with additional conditions that will enable businesses to create innovative digital solutions to attract investment and allow households to access investment services seamlessly and conveniently while protecting their rights and interests. Thus, in order to develop innovative instruments in the financial market, there are plans to further develop the regulation of digital rights. In particular, it is proposed to adopt over time laws that would stipulate the taxation procedure for transactions with UDRs.

The priorities will include **the development of digital rights** as instruments of individuals' investments, the creation of the mechanism for simplified client identification, the development of products and services on the basis of DFAs, the development of the infrastructure for the circulation of digital rights and harmonisation of the approaches to the issue and circulation of various types of digital rights and the approaches to making financial market instruments accessible to non-qualified investors as well as enabling transactions with digital rights in on-exchange trading. To meet current demand from users of information systems, there are also plans to consider creating conditions for trust management (including collective trust management) of digital rights. The arbitrage between DFAs and traditional financial instruments is to be analysed and evaluated separately so that regulatory approaches could be harmonised.

[66] The issues of AI development and use, the risks associated with its introduction by financial institutions as well as approaches to its regulation are set out in the consultation paper Artificial Intelligence in the Financial Market and the report on the results of its discussion.

Objective 2. Implementation of infrastructure projects

The Bank of Russia will continue to develop the elements of the national digital financial infrastructure that is equally accessible to all financial market participants and provides them with additional opportunities for innovation. The development of this infrastructure serves as the basis for enhancing financial inclusion for households and businesses, reducing their expenses, making interaction with financial institutions faster and more convenient as well as promoting competition in the financial market. The key task will be to ensure seamless operation of various elements of the national digital infrastructure in the area of identification, payments and data exchange in accordance with the information security requirements.

As part of the NPCS and the Mir payment system, further **development of products and services based on Russian advanced payment technologies** will continue with a view to enabling individuals and businesses to make convenient and secure payments. To ensure further development, there are plans to maintain high accessibility and smooth operation of the NPCS services, advance financial and non-financial services, including those allowing individuals to pay for certain categories of goods using Mir cards with the help of electronic certificates.

The Bank of Russia will continue its work **to develop the functionality and increase the number of participants in the SPFS**, including through the 'service bureau' connection mechanism.

The regulator plans **to expand the range of options in the SBP to enable online payments to the budget system of the Russian Federation** (C2G payments), including for paying taxes, fines, charges and fees.

To foster the development of payment technologies and services and promote competition, the Bank of Russia plans to implement measures **to introduce a universal QR code**. This code will simplify and harmonise customer experience, enable using the existing payment tools (SBP, banks' payment services) and make it easier to connect new ones, e.g. settlements in digital rubles.

The regulator plans to implement a service enabling individuals to pay for goods and services by using their biometric personal data both via the SBP and with Mir cards (**biometric payments**).

The Bank of Russia will continue **to introduce the digital ruble stepwise and develop the functionality of the digital ruble platform**. On 1 September 2024, the regulator started a new stage of the testing of transactions with real digital rubles, having increased the number of individuals and legal entities participating in the pilot testing to 9,000 and 1,200, respectively. Work is underway to connect the banks of the second wave. Since September 2024, the participants in the pilot testing have been able to carry out new types of transactions, such as payments using the dynamic QR code and money transfers between legal entities. Subsequently, the regulator plans to introduce e-com, which enables payments initiated by stores, payments by legal entities to individuals, development of smart contracts and the use of digital rubles in transactions with budget funds. The regulator plans to shift from the pilot testing to the full-scale introduction of the digital ruble on 1 July 2025.

The Bank of Russia will continue **developing the remote biometric identification mechanism using the UBS** enabling digitalisation of all financial, non-financial and government services and making them more accessible to consumers, including people with disabilities, elderly and physically challenged persons and promoting competition in the financial market. To make the UBS more convenient, the regulator will optimise the customer journey to collect biometric data. Moreover, the Bank of Russia, together with the Government of the Russian Federation, will explore the issue of using biometric identification with respect to non-resident individuals, which will allow them to receive services remotely without having to visit the Russian Federation.

Making data in the state information systems accessible to market participants enhances companies' capabilities to provide convenient products and services. However, it is necessary to continue the systematisation of the government data, automate the management of such data and ensure its quality.

Jointly with the federal executive authorities and market participants concerned, the Bank of Russia will continue **to develop the Digital Profile infrastructure**. There are plans to continue facilitating the connection of new participants and expanding the range of types of data transferred using the Digital Profile of an Individual and the Digital Profile of a Legal Entity. In particular, the regulator will develop scenarios for providing the data necessary for digitalising insurance medicine.

The development of Open APIs will continue. Open APIs will be integrated in accordance with the hybrid approach, which involves stepwise introduction of the Open Finance model with elements of the Open Data model. Until 2026, the application of Open APIs will be advisory but afterwards it will become mandatory for major participants in certain sectors of the financial market. The widespread adoption of Open APIs will promote innovation and competition in the Russian financial market as well as improve the quality of financial services and increase financial inclusion for households and businesses.

The exchange of customer data is subject to a customer's consent. In order to ensure the exchange of information among market participants and obtain a customer's consent using Open APIs, the Bank of Russia plans to explore the issue of creating a CCMP together with the competent federal executive authorities. The CCMP will enable granting, viewing, revoking and changing the terms of standard consents to the transfer, storage and processing of users' data in single window mode.

Objective 3. Ecosystem regulation

Russia continues fast deployment of platform solutions in various sectors, and the ecosystem business model becomes increasingly popular. In general, the Russian platform industry has confirmed its significance for the structural transformation of the economy, and domestic players have strengthened their leading positions in most segments of the Russian market, contributing to Russia's economic and technological independence.

Financial products that contribute to creating a seamless client scenario both for consumers and suppliers have become an integral part of the ecosystems. This is in many ways beneficial for individuals and businesses, enhances financial inclusion, and improves the quality of services. Concurrently, the leading ecosystems operating on the basis of major banks and technological companies are becoming a critical infrastructure for selling goods and services.

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

The Bank of Russia believes that **approaches to regulating platform and ecosystem business need to be developed further**. Such regulation should not create obstacles to the structural transformation and digitalisation of the economy, and the pace of its introduction should depend on the level of platformisation in a particular sector as well as its social and economic importance. The regulation should be proportionate to the size of a business and potential risks, i.e. the largest participants should be subject to tighter requirements. When developing the regulation of large ecosystems, it is proposed to prioritise the following activities: systemic monitoring of financial risks of non-bank ecosystems, introducing requirements for the operational reliability of ecosystems, ensuring fair rules for accessing and working in ecosystems for consumers and suppliers and protecting their rights and interests. The rules and requirements should be uniform regardless of whether the ecosystems are formed within banks or technological companies.

Due to the rapid development of government platform services, the issue of differentiating between private and government platforms is becoming more relevant for market participants. This is because businesses need transparent and predictable government policy in this regard.

Objective 4. Measures to develop SupTech and RegTech

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

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

The Bank of Russia will continue exploring, developing and implementing SupTech and RegTech solutions, including in such areas as risk analysis and management, enhancement of financial market admission procedures and detection of misconduct in the financial market.

Implementing measures with respect to SupTech and RegTech will improve the performance and digitalisation of both the Bank of Russia and financial market participants and will reduce the regulatory burden in the future.

Objective 5. Implementation of experimental legal regimes

The mechanism of experimental legal regimes will make it possible to pilot innovative financial products, services and technologies in the financial market with the involvement of real clients when individual provisions of the legislation are not applicable. As part of this mechanism, regulators will be able to assess the efficiency of a new service or product as well as related risks. Following the piloting, they can decide whether amending the regulation would be prudent in order to introduce such new services or products to the market. The experience gained from this experiment will make it possible, even at the initial stage, to provide for efficient mechanisms for reducing risks and ensure the protection of consumer rights.

For example, there are plans **to establish a number of experimental legal regimes** in the financial market, including with respect to using digital currencies for settlements in foreign trade, using videconferencing for remote identification of clients, etc. To implement experimental legal regimes, further efforts will be made to develop relevant legal conditions that would allow amending or ruling out the legal effect of certain provisions of federal laws. Subsequently, other areas will be considered for establishing experimental legal regimes in the financial market.

Along with experimental legal regimes, the Bank of Russia's **regulatory sandbox** continues to operate. It was optimised by significantly reducing project review periods and simplifying the application form. The sandbox involves evaluating innovative products, services and technologies in a test environment without engaging real clients. After the effects of the introduction of such products and services to the financial market are assessed, decisions are made as to whether amending the regulation is prudent for them to be launched in the market.

Both of these mechanisms are aimed at eliminating legal barriers to innovation in the market. However, experimental legal regimes are primarily designed for complex financial products whose risks and potential effect can only be assessed when they are actually launched, while the regulatory sandbox may be used for assessing less complex products that can be studied without piloting.

Therefore, depending on the nature of the proposed innovative products and services, market participants can test them using one of the two mechanisms – experimental legal regimes or the regulatory sandbox.

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

The Bank of Russia, together with the relevant government agencies, FinTech Association and market participants, will continue implementing a set of measures aimed at **substituting imported software and equipment in finance**. In this regard, along with the requirements for software and technological solutions applied by financial institutions, it is necessary to ensure coordination with software providers via the Finance Industry Centre of Expertise and encourage competition in this area.

In order to ensure technological sovereignty in cash circulation, the Bank of Russia, together with equipment manufacturers, will continue contributing to the substitution of imported equipment used by the Bank of Russia divisions, credit institutions and TSCs when processing cash.

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

A critical task related to technological sovereignty will be for the Bank of Russia to control and monitor financial institutions' compliance with their action plans to switch to mostly domesticly-developed software, radioelectronic products and telecommunication equipment.

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

It is important to ensure that financial institutions' customers (individuals and legal entities) can use EQESs and enhanced non-qualified electronic signatures of the USIA to promote the digitalisation of services.The Bank of Russia has established a Certification Centre to provide all financial market institutions with EQES key certificates.

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

A set of legal, organisational and awareness-raising measures will be implemented for the purpose of reducing the number of unauthorised transactions conducted through social engineering, forming positive customer experience and ensuring financial consumers' confidence in financial services.

An important area of the Bank of Russia's efforts in combatting fraud is improving the mechanisms for information exchange between credit and financial institutions and the Bank of Russia. This task is performed via FinCERT infrastructure, including automated collection of information about incidents, as well as prompt dissemination of such information and the rules for the incidents response.

Another area of the Bank of Russia's work is **ensuring control of information security and operational reliability risks to maintaine the continuity of banking and financial services**.

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

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

3.4. Development of the system of foreign trade payments and settlements

Taking into account the continued strategy of openness of the economy, expanding foreign trade with a wide range of countries in current circumstances requires a transition to new international settlement channels and mechanisms. The Bank of Russia, together with the Government of the Russian Federation and market participants, interacts with foreign regulators and market participants. Basic priorities of this cooperation are building international economic activity on market principles and using Russian ruble and other national currencies in international settlements.

Objective 1. Development of international payments and settlements

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

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

– **using Russian ruble and national currencies of parcicular countries (Russia's trading partners) in cross-border settlements**, which will materially reduce risks associated with unfriendly countries' actions;

– **expanding the infrastructure of international settlements** with main trading partners from countries that do not take hostile actions against Russia, building independent financial messaging channels, including using Russian SPFS, and ensuring non-discriminatory access to the international settlement infrastructure for Russian credit institutions;

– **developing the network of correspondent relationships**, opening correspondent accounts for Russian banks with credit institutions in countries that do not take hostile actions against Russia, specifically in the countries with which such relations are still underdeveloped, despite considerable trade volumes;

– **expanding the use of the SBP for cross-border money transfers**; and

– **maintaining the existing and developing new infrastructure for Mir cards abroad** and searching for alternative solutions.

With a view to expanding foreign investors' opportunities in Russian financial market, legal conditions have already been established, enabling simplified access to foreign currency exchange trade , foreign exchange and interest-bearing derivatives, remote identification, and financing on the basis of partnership principles in the future (Russia is holding an experiment on partnership financing,[67] which will be completed in September 2025). In addition, there is a legal option for foreign banks of friendly countries to open their branches, which will be ensured by relevant regulations to be developed by the Bank of Russia. Further efforts will be made **to create conditions to enable investors from Russia's partner countries, including the EAEU members, to access the Russian stock market directly**.

The Bank of Russia will also take into account changes in the system of foreign trade and financial settlements when assessing financial stability risks and developing mechanisms for mitigating these risks. The transition to settlements in national currencies and differences in national markets urge for hedging instruments for foreign trade and financial transactions.

In cooperation with relevant government authorities and financial market participants, the Bank of Russia is creating and developing conditions for **digital rights use in international settlements and digital currencies within the experimental legal regime to make foreign trade settlements**. It is prohibited to use these instruments as payment methods within Russia though.

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

Objective 2. Configuration of foreign exchange regulation and capital controls

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

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

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

At present, the anti-sanction measures remain relevant as they were taken in response to unfriendly countries' sanctions, including blocking the assets of the Russian Federation, Russian individuals and companies. In its further efforts to transform the configuration of the capital controls in the Russian

[67] For details, see Objective 2 'Development of capital markets and other instruments for long-term financing of economic development', of Area 3.1 'Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the resilience of the financial sector'.

Federation, the Bank of Russia will take into account the need to address the issues of developing the Russian economy and increasing the attractiveness of the Russian jurisdiction for domestic and foreign investors, which is impossible without strengthening the confidence of investors (individuals and businesses) in the financial market. Even amid the sanction pressure, the main conditions for trust in the financial market are stability and transparency of the current regulation, limited capital controls and restrictions on the investment inflows to the economy, mitigation of infrastructure risks and proper operation of investor protection mechanisms. In view of the above, **capital controls should be targeted and limited in time and ultimately lifted in the future**.

Nevertheless, with a view to protect investors from sanction and infrastructure risks, a number of restrictions will remain in the short run, namely non-qualified investors banned to buy securities of issuers from unfriendly countries.

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

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

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

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

Objective 3. Optimisation of the AML/CFT system

With a view to optimise the AML/CFT system, the Bank of Russia, together with relevant government authorities, will continue to test the best modes of remote interaction and expand the capabilities of Russian credit institutions to service both residents and non-residents.

Further efforts will include **the experimental legal regime** to enable **credit institutions to carry out remote identification (that does not require personal presence)** using videoconferencing.

The regulator, together with Rosfinmonitoring, will continue to explore the issue of **optimising the list of transactions with monetary funds subject to mandatory control** to offset the increasing burden on the companies supervised by the Bank of Russia that are subject to the anti-money laundering legislation after the list of information to be provided to Rosfinmonitoring has been extended.

3.5. Ensuring financial stability

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

In the new reality, NFIs and the capital market are becoming increasingly important in ensuring systemic stability, given the growing role of individuals in the financial market, including stock market. This requires further adaptation of the approaches to both systemic risk monitoring and macroprudential regulation.

Moreover, in order to support the continuity of banking and financial services, the Bank of Russia will ensure the control of information security and operational reliability risks, including the use of SST tools, which is critical for the financial sector's systemic resilience. More details on the relevant measures are available in the Guidelines for the Advancement of Information Security in the Financial Sector for 2023–2025.

Objective 1. Reducing financial stability risks in the FX market

Resilience of the FX market remains a significant factor of financial stability. Russia continues to actively trade with other countries, which ensures the inflow of foreign currency into the banking sector. Nevertheless, limited access of Russian banks to the global market (owing to foreign exchange regulation in friendly countries, the risk of secondary sanctions, etc.) entails periods of elevated demand for FX swaps. The reason for this is that banks need to substitute a certain amount of short-term funding to manage OCPs, among other things. In this context, it remains a relevant goal for the Bank of Russia **to reduce the share of foreign currency in the banking sector**.

After the USA had imposed sanctions on Moscow Exchange in June 2024, the configuration of the Russian FX market changed: the over-the-counter market became the only place to trade in US dollars and euros, and the Bank of Russia started to calculate these currencies' official rates against ruble, using banks' high-frequency reporting. Considering this experience, it will be possible to calculate official rates of certain currencies via cross rate even if there are no reliable market data on them. The Bank of Russia will also continue **to improve the reporting form on the transactions made in the FX market**.

The Bank of Russia will use **macroprudential add-ons for foreign currency loans** in the coming years, if necessary to reduce the share of foreign currency on banks' balance sheets and balance the currency position of credit institutions. The add-ons may also be set for foreign currency loans to exporters: although they come with natural hedging, which reduces the credit risk, the expansion of such lending still increases systemic foreign currency risks and liquidity risks.

The relaxation of the requirement for the repatriation of foreign currency earnings allows non-financial organisations to be more flexible in foreign trade and pay for imports directly in the offshore market. Major exporters are legally obliged to submit information about their foreign currency assets and liabilities to the Bank of Russia every month, including currency breakdown, therefore, the situation will remain transparent for the Bank of Russia. The Bank of Russia will continue **to monitor the foreign currency market and identify the potential imbalances of supply and demand** .

Objective 2. Developing macroprudential regulation and analysis of systemic risks. Improving data quality in the credit information system

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

The Bank of Russia plans to continue **monitoring the implementation of the legislative amendments**[68] **that came into force in January 2024 concerning a borrower's DSTI**[69] whereby credit institutions and MFOs are to calculate the DSTI in the cases specified by the law[70] and notify borrowers regarding the risks associated with high DSTI in writing.[71]

The regulator intends to consider switching to **the multiplier approach for macroprudential add-ons setting for all banks**, similarly to banks using the IRBA to make macroprudential add-ons more effective.

The Bank of Russia will also **assess and limit systemic risks associated with wider use of DFAs and digital currencies**.

Legislative amendments[72] aimed at limiting systemic risks in mortgage lending were adopted. From 1 April 2025, the Bank of Russia will be able to set quantitative limits (MPLs) in mortgage lending and car lending (similarly to MPLs in unsecured consumer lending). This instrument will help limit the provision of these types of loans to over-indebted borrowers as well as mortgage loans with small down payment. Simultaneously, MPLs for risky mortgage loans and car loans will reduce the burden on banks' capital due to lower capital requirements for banks regardingsuch loans.

The expansion of lending is largely driven by large companies whose demand for loans is less sensitive to higher interest rates implementing major investment projects. This is accompanied by growing concentration of the loan portfolio in a number of large banks. Since 2022, the ratio of the outstanding debt of the six largest companies[73] to the banking sector's capital has increased from 46% to 68%, while the amount of this debt is distributed across banks unevenly. Therefore, the Bank of Russia will not only limit concentration risks associated with banks' credit claims by improving the requirements for concentration ratios but also limit at macro level the risks of a further increase in large companies' debt burden, which is already high. In 2025 the Bank of Russia plans to ensure the opportunity to establish macroprudential add-ons for banks with respect to new loans and investments in the bonds of large highly leveraged corporate borrowers if such funding entails a rise in their debt to the bank.[74]

Analysis of climate risks and developing approaches to their regulation. The issues of managing climate-related physical and transition risks remain relevant in the context of structural transformation of the Russian economy. They are significant for building relationships with foreign partners that also attach

[68] Federal Law No. 601-FZ, dated 29 December 2022, 'On Amending the Federal Law 'On Consumer Loans (Microloans)'.

[69] The DSTI value illustrates to borrowers which part of their income they should use to repay the existing loans/microloans.

[70] Including when a loan/microloan is below ₽10,000.

[71] Above 50%.

[72] Federal Law No. 414-FZ, dated 23 November 2024, 'On Amending Article 45.6 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

[73] A company's annual revenues and liabilities on a consolidated basis exceed ₽1 trillion.

[74] Bank of Russia's decisions on banking regulation.

importance to environmental and climate issues. The results of the top-down[75] stress test of transition risks were published in early 2024. During 2024, the Bank of Russia, together with major banks and other market participants, performed bottom-up[76] stress testing. The Bank of Russia will continue to work on enhancing the accessibility of data and improving the approaches to the stress testing of climate risks to assess their impact on the financial market and Russian economy. Furthermore, the regulator will examine the approaches to factoring ESG risks (including climate risks) into regulation and supervision.

Credit information system. The Bank of Russia continuously implements a set of measures to improve the quality of data in the credit information system intended to enhance creditors' and borrowers' protection by generally decreasing credit risks, increasing the effectiveness of granting and repaying loans, which are important factors for maintaining financial market stability. In view of this, based on court and administrative decisions and taking the proposals of market participants into account, the Bank of Russia will continue **to enhance the procedure for compiling credit histories** in order to improve the quality of information transferred to credit history bureaus by credit history sources. This work will help calculate DSTI more accurately.

The identification of new issues related to credit history sources (in particular, professional creditors) (hereinafter, the sources) failing to provide information (or to provide it in a timely manner) and, especially, to provide accurate information about borrowers' liabilities to credit history bureaus forces the Bank of Russia to focus on supervising the sources, which will help maintain and strengthen financial stability and ensure smooth credit process.

To this end, the Bank of Russia will continue **developing and improving the sources supervising process**. In particular, , the regulator will check the entire process of compiling information about borrowers and their liabilities using the risk-oriented approach, i.e. from the moment when the information is entered into the sources' data systems to the moment when it is included in credit reports containing such information and provided to credit history users and credit history subjects. This work is aimed at ensuring the accuracy, completeness and relevance of the data in the credit information system that creditors use to assess clients' solvency, decide whether loans can be granted and form loss provisions, and will thus help mitigate operational risks and risks of financial losses.

[75] Indicating aggregate exposure to risks using the key factors, such as the materiality of a risk in terms of the geographical position, economic sector and type of a financial product.

[76] Identifying material risks at the asset or counterparty level and subsequently summarising these risks to assess them at the portfolio level.

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

When preparing and implementing Programme 2025–2027, the Bank of Russia takes into account internal and external factors that can significantly impact Russian economy and financial market, the pace and scale of the current changes and the prospects of the development in general. The Bank of Russia constantly monitors the situation and assesses risks that might hinder or affect the implementation of measures planned by the Bank of Russia and the Government of the Russian Federation to promote the development of the Russian financial market or risks that might decrease the effectiveness of these measures. The Bank of Russia and the Government of the Russian Federation take measures to prevent the materialisation of risks or mitigate their negative effects if these risks have already materialised. However, some risks are predominantly exogenous, i.e. the regulator cannot influence them but should take them into account when implementing its policy.

Geopolitical factors

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

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

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

Global macroeconomic factors

Trends in the world economy and politics involve significant global systemic and macroeconomic risks. On the one hand, there is an ongoing gradual transformation of the conventional procedures and relationships between countries that have formed over the past 30–40 years in the world economy. The age of globalisation, built on the division of labour and extensive cooperation, is giving way to the period where countries are increasingly focusing on competing and limiting competitors' access to their economy and technologies. A single integrated space is being replaced with regional blocs and the world is becoming more fragmented. These processes have a negative effect on global trade, constraining its growth substantially. On the other hand, the problems that have accumulated during the post-pandemic recovery remain unresolved. Global inflation continues to decline but stays above the target level in most economies. The fact that inflation in advanced economies returns to the target more slowly than expected is the evidence that uncertainty about the future interest rate path and the time required for all effects on the economy and the financial system to manifest in their entirety persists, and therefore, the possibility of a large-scale financial crisis cannot be ruled out.[1]

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

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

Domestic macroeconomic factors

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

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

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

[1] The risk scenario (under the working title Global Crisis) is detailed in MPG 2025–2027.

Intensification of the ESG agenda in the world

Accelerated implementation of the ESG regulation worldwide, refocusing global economic policy and financial markets on sustainable development factors and Russia's lagging behind these global trends could lead to significantly higher risks of lower competitiveness and investment attractiveness of the Russian economy and financial market to foreign investors from friendly countries. If the above risks intensify, it might be necessary to promptly adjust the plans for the development of the domestic financial market to additionally shift the priorities towards accelerated implementation of the ESG agenda, taking into account objective time and resource constraints.

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

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

Interagency cooperation and institutional factors

Programme 2025–2027 is comprehensive and interconnected. Therefore, the maximum effects can only be achieved if all parties concerned are engaged in the comprehensive implementation of these measures. Any delays in the drafting, consideration and adoption of legislative amendments as well as in the implementation of other necessary multilateral measures might reduce the efficiency and pace of the implementation of the plans to develop the financial market as well as decrease market trust in the declared intentions. A significant factor demanding attention is dynamic and timely integration of innovative technologies to be used by the regulator and the government authorities. Government institutions should promptly respond to the technological changes in order to accelerate and improve their interaction with market participants.

Furthermore, the risks to financial market development may stem from continuing application of the measures that were implemented in response to the crisis in 2022, including limited disclosure of information. Inaccessibility of companies' information limits shareholders' and investors' ability to properly evaluate companies when investing funds in capital market instruments and to manage their investments.

Protection of the rights of shareholders, including minority shareholders, as well as effective judicial protection of legitimate purchasers of shares via exchange are equally important. The risks of infringing shareholders' rights not only substantially decrease individuals' confidence in the capital market but may also cause its loss.

Limiting the risks associated with inaccessible information and infringement of shareholders' rights is critical for increasing the importance of domestic sources of funding the economy by using capital market instruments.

Resources provided

Insufficient financing of the measures provided for by Programme 2025–2027 as well as a deficit of market participants' resources to implement the planned measures may slow down or hinder the implementation of the plans and the achievement of the expected results. In particular, insufficient financial support from the government for creating economic incentives aimed at developing long-term savings may significantly limit the development potential of the capital market.

Thus, the main risks to the development of the Russian economy and financial market are related to external economic and geopolitical factors. These factors are also the basis of the Global Crisis scenario presented in the medium-term scenarios in MPG 2025–2027 describing its main parameters. The baseline scenario published in MPG 2025–2027 was regarded as the main one when preparing Programme 2025–2027 and elaborating measures to develop the Russian financial market.

APPENDICES

Appendix 1. Financial market development indicators

The goals and areas of the financial market development stipulated in Sections 1 and 3 of Programme 2025–2027 take into account the relevant objectives of social and economic development of the country as well as current trends and challenges in the financial market. Simultaneous work in several areas helps achieve each of the three goals. Table 2 schematically shows the interconnection between the goals and development areas. To monitor the progress towards the three goals of financial market development, the Bank of Russia is guided by a set of comprehensive aggregate indicators shown in Table 1.

AGGREGATE INDICATORS FOR MONITORING THE STATE AND DEVELOPMENT OF THE FINANCIAL MARKET *Table 1*

	Indicators	Current value	Expected trend
1	Financial institutions' assets to GDP, %	131.5* As of 1 October 2024	Growth
2	Stock market capitalisation to GDP, %	25.4* As of 1 December 2024	Growth
3	Share of individuals' long-term savings in their total savings, %	35.5* As of 1 October 2024	Growth
4	Digitalisation of financial services provided to individuals, %	83.4 As of 31 December 2023	Growth
5	Digitalisation of financial services provided to businesses, %	80.2 As of 31 December 2023	Growth
6	Composite index of public satisfaction with financial institutions' work, financial products/services and financial service channels, points**	56.6 May 2024	Growth
7	Assessment of the financial sector's resilience presented in the Bank of Russia's regular Financial Stability Review		

** Taking into account the data on GDP for 2024 Q2.*
*** The survey will be carried out every three years, with the next measurement scheduled for May 2027.*

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

Transformation of the Russian economy primarily requires long-term resources that are predominantly formed in the capital market. Equity financing provides the most long-term type of resources. If the range of companies attractive to investors expands and enterprises make public offerings more actively to finance their business, the ratio of stock market capitalisation to GDP will go up (Indicator 2). An important condition for the growth in equity financing is an increase in the number of companies that have a long-term sustainable strategy for development, practice good corporate governance and ensure transparency of their operations for investors, treating them as equal partners.

INTERCONNECTION OF THE GOALS (HORIZONTAL) AND AREAS (VERTICAL) OF THE FINANCIAL MARKET DEVELOPMENT *Table 2*

	Goal 1. Developing a modern financial market to satisfy the need of the Russian economy for investments in the structural transformation and for efficient payment tools	**Goal 2. Strengthening confidence of retail consumers and investors in the financial market by improving its security, enhancing financial literacy and financial inclusion for households and businesses**	**Goal 3. Ensuring financial stability, that is, smooth functioning of the financial market, including in stress conditions**
1. Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining resilience of the financial sector			
2. Financial consumer and investor protection, enhancing financial inclusion for households and businesses			
3. Digitalisation of the financial market and development of the payment infrastructure			
4. Development of the system of foreign trade payments and settlements			
5. Ensuring financial stability			

	The area contributes to the goal achievement		The area significantly contributes to the goal achievement

Formation of long-term resources in the economy requires longer terms of individuals' investments (Indicator 3). To this end, various financial market segments offer a set of long-term saving and investment instruments, introduce guarantee mechanisms and work to increase financial literacy.

Amid digital transformation of the economy and all social spheres, digitalisation of financial and payment products and services offered to individuals and businesses (Indicators 4 and 5, respectively) is an important aspect of the modern financial market development. Digitalisation of the financial market is also of great importance for deploying innovations in the real sector of the economy and using new digital tools in business.

Public satisfaction with financial institutions, financial products/services and financial service channels, which is assessed based on the survey (Indicator 6), reflects individuals' perception of the financial market and its institutions and the level of confidence in them. This is influenced by the level of consumer protection, financial literacy and accessibility of financial products and services, including through remote channels.

Resilience of financial institutions, the infrastructure and the financial market as a whole as well as their ability to perform their functions smoothly, including in stress conditions, are critical for systemic financial stability. The Bank of Russia assesses the resilience of the financial sector (the banking sector and the NFI sector) on a regular basis and publishes the results in the Financial Stability Review every six months (Indicator 7).

Thus, the Bank of Russia uses aggregate Indicators 1–6 to monitor changes in the financial market in terms of financial consumers' perception of these changes, the development of digital products and services as well as the depth of the financial market relative to the size of the economy. An increase in Indicators 1–6 will reflect positive changes. The Bank of Russia monitors the financial sector's resilience on a regular basis (Indicator 7). The regulator analyses the factors influencing changes in the indicators and explains the reasons behind them.

The Bank of Russia treats these indicators as indicative and therefore does not set any quantitative targets for them. The financial market is a complex and multifaceted system dynamically changing under the influence of both financial market participants' actions and a wide range of economic, technological and other factors that are beyond the direct control of the Bank of Russia and the Government of the Russian Federation. As the pace of changes is increasingly growing, the establishment of precise quantitative targets for any indicators can undermine the operation of market development mechanisms, reducing the flexibility and adaptability of the regulator's policy and the responsiveness to new challenges or cause overheating and 'bubbles' in the market. In this regard, the achievement of specific targets set for the indicators, without taking into account a wide range of fast-changing factors that significantly influence the financial market development trends, cannot be a criterion for evaluating the efficiency of the financial market development policy.

It is important to note that, along with Indicators 1–7, the Bank of Russia analyses a wide range of quantitative and qualitative indicators on an ongoing basis in order to monitor the development of the financial market. Section 2 of Programme 2025–2027, describing the current state of the financial market, mentions only some of them. On its website, the Bank of Russia regularly publishes reviews,[1] detailing development trends both in the financial market as a whole and in its individual segments.

INDICATOR CALCULATION METHODOLOGY *Table 3*

	Indicator, measurement unit	Brief calculation methodology
1	Financial institutions' assets to GDP, %	Calculated as the ratio of the total of the banking sector's assets, insurers' assets, NPFs' and the SFR's investment portfolios, UIFs' net asset value, own assets of professional market participants – NFIs, assets of brokerage and trust management clients, MFOs' core assets, microloan portfolios of pawnshops, CCCs and ACCCs to annual GDP
2	Stock market capitalisation to GDP, %	Calculated as the ratio of market capitalisation of securities at the close of trading on the Moscow Exchange stock market to annual GDP
3	Share of individuals' long-term savings in their total savings, %	Calculated as the ratio of the sum of investment, insurance and pension services provided to individuals to the total amount of individuals' savings (including deposits and current accounts)
4	Digitalisation of financial services provided to individuals, %	Calculated based on the findings of a survey of credit institutions, insurers, MFOs, NPFs, management companies, trustees and brokers, taking into account reporting data. To calculate the indicator, a list of services most needed by individuals was set for each of the organisation types
5	Digitalisation of financial services provided to businesses, %	Calculated based on the findings of a survey of credit institutions, insurers, MFOs, NPFs, management companies, trustees and brokers, taking into account reporting data. To calculate the indicator, a list of the services most needed by businesses was set for each of the organisation types
6	Composite index of public satisfaction with financial institutions' work, financial products/services and financial service channels, points	Calculated based on the findings of a survey commissioned by the Bank of Russia and using statistical data analysis methods. The range of index values is 0–100 points, where 100 is the best value
7	Assessment of the financial sector's resilience presented in the Bank of Russia's regular Financial Stability Review	

[1] Review of the Russian Financial Sector and Financial Instruments, Russian Banking Sector Development, Review of Key Indicators of Management Companies, Review of Key Indicators of Non-governmental Pension Funds, Review of Key Indicators of Insurers, Review of Key Indicators of Brokers, Review of Key Indicators of Microfinance Institutions, Financial Market Risks Review, Monitoring of Sectoral Financial Flows, Financial Inclusion Indicators, Countering Market Misconduct.

Appendix 2. Overview of the Russian Financial Market Development Programme implementation in 2024

The key measures planned in the Programme for 2024–2026 are being implemented in accordance with the set deadlines. Below are the most significant measures that the Bank of Russia implemented together with the Government of the Russian Federation as well as with the active involvement of market participants.

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

- **The Bank of Russia continued to improve the mechanism for keeping IIAs.** In particular, the regulator enabled money withdrawal from IIAs of type III under certain circumstances (expensive treatment)[2] and the Government of the Russian Federation approved a list of types of expensive treatment[3] and prohibited the purchase of securities of foreign issuers[4] by using IIAs.
- **A tax deduction for individuals' long-term savings** was established.[5] It applies to NPP agreements, long-term savings agreements as well as IIAs of type III. This measure is aimed at making capital market tools more attractive to individuals.
- The term for co-financing individuals' savings under the LSP was extended to 10 years.[6]
- The procedure for the taxation of long-term deposits was updated. In particular, it will be possible to reduce taxable income in the form of interest on a long-term deposit opened for at least 15 months by the amount of the unused 'non-taxable minimum' of the previous years, provided that the interest is paid upon the maturity of the deposit.[7]
- From 1 January 2025, income from trust management of assets constituting a UIF is recognised as income from transactions with securities.[8] This innovation will reduce the tax burden on individuals.
- **The regulator expanded NPFs' opportunities to invest** pension savings[9] and reserves[10] **in shares of Russian companies as part of IPOs**. The participation of institutional investors will encourage new public offerings of shares. Furthermore, the list of instruments eligible for pension reserve investment was supplemented with over-the-counter standardised derivatives (interest rate derivatives).
- The regulator developed a concept of differentiating the insurance compensation limit and the rates of insurance premiums payable to the CDIF depending on deposit types, maturities and currencies to narrow the gaps between the maturities of bank assets and liabilities as well as reduce the disinflation effect of long-term savings and the inflow of long-term money into the economy. After the concept is discussed, amendments to the regulation will be developed **to encourage the inflow of long-term ruble bank deposits, including irrevocable savings certificates**.

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[2] Bank of Russia Ordinance No. 6713-U, dated 8 April 2024.

[3] Resolution of the Government of the Russian Federation No. 76-r, dated 18 January 2024.

[4] Resolution of the Government of the Russian Federation No. 104-r, dated 22 January 2024.

[5] Federal Law No. 58-FZ, dated 23 March 2024, 'On Amending Articles 102 and 126-2 of Part One and Part Two of the Tax Code of the Russian Federation'.

[6] Federal Law No. 177-FZ, dated 13 July 2024, 'On Amending the Budget Code of the Russian Federation and Certain Laws of the Russian Federation'.

[7] Federal Law No. 259-FZ, dated 8 August 2024, 'On Amending Parts One and Two of the Tax Code of the Russian Federation and Certain Laws of the Russian Federation'.

[8] Federal Law No. 362-FZ, dated 29 October 2024, 'On Amending Parts One and Two of the Tax Code of the Russian Federation and Certain Laws of the Russian Federation'.

[9] Bank of Russia Ordinance No. 6732-U, dated 22 May 2024.

[10] Bank of Russia Ordinance No. 6759-U, dated 18 June 2024.

- The Bank of Russia was actively engaged in the adoption of the law[11] on switching to the credit rating as a single criterion for selecting banks to deposit public funds (instead of a list of requirements, including for the amount of capital). The law is intended to increase the transparency and objectivity of the bank selection procedure and to make small credit institutions more competitive.
- As part of **improving the regulation of credit institutions**:

– In its consultation paper, the Bank of Russia presented **proposals to mitigate credit concentration risks**. Their implementation will help reduce the relevant risks, while maintaining the necessary capacity for lending to major companies, and contribute to fairer pricing in the credit and bond market for all market participants.

– The regulator **adjusted OCP limits**[12] to balance the currency structure of banks' assets and liabilities and rule out the understatement of the currency risk. On 1 July 2024, the regulator introduced new OCP limits to reduce banks' excessive dependence on forward transactions as instruments to mitigate the currency risk (in stress conditions, they may be unavailable or expensive). More flexible deadlines for regulating OCPs will help mitigate the impact of banks' operations on the foreign exchange market. The Bank of Russia **amended the calculation of the market risk**[13] to decrease the burden on banks' capital and encourage the development of hedging practices. Since 1 July 2024, the calculation of the market risk no longer includes derivatives intended for covering bank balance sheet risks, such as the risk of losses associated with changes in the interest rates.

– The regulator **updated the procedure for calculating** the effective **LCR**[14] **by SICIs**. In particular, SICIs may now apply national ratings to determine highly liquid assets.

- The minimum amount of risk retained by an originator[15] in non-mortgage securitisation transactions was decreased.
- As part of **improving the regulation of PSMPs**:
  - **The procedure** was established[16] **for PSMPs to exchange information** about customers and their costs related to the acquisition and storage of securities, including **via electronic document management systems**.
  - **The scope of dealers' and forex dealers' activity was expanded.**[17] In particular, the limits on the collateral required to open positions now apply to qualified investors. Furthermore, the collateral-to-liabilities ratio required for closing non-qualified investors' positions is to be gradually reduced to 1/30.
  - The regulator updated[18] the list of information to be disclosed and **established restrictions** on the inclusion of **guarantees or promises regarding future performance** or return on investments in disclosures.
  - The Bank of Russia established[19] **a new definition of individual investment advice** and adjusted the list of information that is not deemed individual investment advice.

[11] Federal Law No. 475-FZ, dated 13 December 2024, 'On Amending Certain Laws of the Russian Federation'.

[12] Bank of Russia Instruction No. 213-I, dated 10 January 2024.

[13] Bank of Russia Ordinance No. 6676-U, dated 1 February 2024.

[14] Bank of Russia Ordinance No. 6667-U, dated 10 January 2024.

[15] Federal Law No. 355-FZ, dated 26 October 2024, 'On Amending Article 42 of the Federal Law 'On the Securities Market'.

[16] Federal Law No. 120-FZ, dated 29 May 2024, 'On Amending Articles 3 and 5 of the Federal Law 'On the Securities Market'.

[17] Federal Law No. 50-FZ, dated 23 March 2024, 'On Amending the Federal Law 'On the Securities Market' and Article 11 of the Federal Law 'On Amending Certain Laws of the Russian Federation'.

[18] Bank of Russia Ordinance No. 6496-U, dated 2 August 2023, came into force on 1 April 2024.

[19] Basic standard for investment advisers' operations in the financial market (approved by the Bank of Russia, Minutes No. FSCM-37, dated 16 November 2023).

- **The transfer of infrastructure sanction risks to ILI and ELI customers was prohibited.**[20] Under new agreements, insurers will be unable to deny payments to their customers due to the blocking of payments related to foreign assets as a result of sanctions.
- In February 2025, **a new model for admitting CCCs to the financial market** will be introduced,[21] along with the requirements for business reputation and/or qualification of the members of their governing bodies. These measures will help increase the sector's transparency and efficiency of consumer protection.
- A federal law[22] was adopted to create conditions for the development of the national system of financial and commodity indices and administer these indices.

Area 2. Financial consumers and investors protection, enhancing financial inclusion for households and businesses

- A law[23] was adopted to amend the requirements for investors' qualification.
- Brokers are obliged[24] to take into account clients' positions under option agreements when calculating risk coverage ratios in margin trading. **A new category of brokerage customers was introduced.** It encompasses **customers with an initial risk level**, including beginner investors with no experience of trading in securities or derivatives. Stricter risk limits will apply to such investors, and brokers will have to warn them in advance if their order might lead to leverage trading.
- A law[25] was adopted, providing **individuals** with an opportunity **to set a self-ban in their credit histories** from 1 March 2025.
- Measures were taken to ensure[26] **interagency cooperation in the area of improving financial literacy** and developing **financial culture**.
- Only the companies supervised by the Bank of Russia and other intermediaries of the persons legally raising investments may **publicly raise investments**[27] from individuals. The innovation will help protect individuals from pseudo-investment and pyramid schemes.
- **A new range of banking products for low-income individuals** entitled to social welfare benefits was developed.[28] A social bank deposit ensures accrual of income at an interest rate linked to the maximum interest rate on household deposits for up to one year, raised by a credit institution. A social bank account ensures accrual of income at an interest rate which is at least half of the Bank of Russia key rate on the balance and allows its holder to perform fee-free transactions in the amount established by the law.
- To limit the risks related to variable loan and microloan rates, the Bank of Russia took part in **the adoption of legislative amendments**[29] **regulating specific aspects of variable rate consumer loans/microloans and loans/microloans granted to micro enterprises**. In particular, the amendments establish rules for informing borrowers about the risks associated with the variable interest rate and enable

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[20] Bank of Russia Ordinance No. 6671-U, dated 15 January 2024.

[21] Federal Law No. 254-FZ, dated 8 August 2024, 'On Amending Certain Laws of the Russian Federation'.

[22] Federal Law No. 452-FZ, dated 13 December 2024, 'On Administrators of Financial and Commodity Indices'.

[23] Federal Law No. 390-FZ, dated 23 November 2024, 'On Amending Certain Laws of the Russian Federation'.

[24] Bank of Russia Ordinance No. 6681-U, dated 12 February 2024.

[25] Federal Law No. 31-FZ, dated 26 February 2024, 'On Amending the Federal Law 'On Credit Histories' and the Federal Law 'On Consumer Loans (Microloans)'.

[26] Resolution of the Government of the Russian Federation No. 162, dated 14 February 2024, established an Interagency Coordination Commission tasked with the implementation of the Strategy for Improving Financial Literacy and Developing Financial Culture Until 2030.

[27] Federal Law No. 278-FZ, dated 8 August 2024, 'On Amending Article 5 of the Russian Law 'On Consumer Cooperation (Consumer Associations and Their Unions) in the Russian Federation' and the Federal Law 'On Protecting Investors' Rights and Lawful Interests in the Securities Market'.

[28] Federal Law No. 202-FZ, dated 22 July 2024, 'On Amending the Federal Law 'On Banks and Banking Activities'.

[29] Federal Law No. 151-FZ, dated 22 June 2024, 'On Amending Certain Laws of the Russian Federation'.

borrowers to request creditors to extend the loan/microloan repayment period in the cases provided for by the law.

- Since 1 February 2024, **banks have been obliged to inform individuals free of charge about the expiry of a time deposit no later than five calendar days before its maturity date** so that the customer could redistribute his/her funds in advance due to changing offers from other financial institutions in the market, among other reasons; and for deposits to be granted upon the occurrence of the circumstances stipulated by relevant agreements – within five calendar days after the day when such circumstances occur.[30]

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

- Conditions were ensured[31] **for further expansion of the product range and improvement of customer service on financial platforms**. For example, it is now possible to use long-term savings agreements and the delegated identification mechanism available to all financial institutions that have accepted the rules of the digital financial platform.
- A legal framework was established **for using digital rights** as a consideration **in external trade**.[32] The development of alternative mechanisms will expand opportunities for international settlements.
- It is possible[33] **to use digital currencies in cross-border settlements under foreign trade contracts**. Russian exporters and importers will be able to do it **under an experimental legal regime**, which will provide for a special settlement procedure involving digital currencies. The number of participants in this experiment and its time frame will be limited.
- Legal conditions[34] were created **for the circulation of foreign digital rights in Russia and of Russian digital rights abroad**. This will help expand the mechanisms for using digital rights in foreign trade settlements, among other things.
- **The grounds for data anonymisation by market participants** were established[35] and mechanisms for providing datasets to train AI models were created.
- **The Bank of Russia provided access to the KYC platform on its website.** In addition, a legal mechanism[36] was created, enabling high-risk legal entities and individual entrepreneurs to request the regulator to revise their risk level.

Area 4. Development of the system of foreign trade payments and settlements

- A federal law[37] was adopted to regulate **the opening of FBBs** in Russia. It will help create conditions for the development of the international settlement system and attract foreign investments to finance the economy. Such FBBs will be able to open and keep bank accounts of legal entities, make money transfers in accordance with their orders, provide cash services, etc.

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

[31] Federal Law No. 45-FZ, dated 11 March 2024, 'On Amending Certain Laws of the Russian Federation'.

[32] Ibid.

[33] Federal Law No. 223-FZ, dated 8 August 2024, 'On Amending Certain Laws of the Russian Federation'.

[34] Federal Law No. 221-FZ, dated 8 August 2024, 'On Amending Certain Laws of the Russian Federation'.

[35] Federal Law No. 233-FZ, dated 8 August 2024, 'On Amending the Federal Law 'On Personal Data' and the Federal Law 'On Conducting an Experiment for Establishing a Special Regulation to Create Necessary Conditions for Developing and Introducing Artificial Intelligence in Moscow – a Constituent Territory of the Russian Federation and a City of Federal Importance, and on Amending Articles 6 and 10 of the Federal Law 'On Personal Data'.

[36] Federal Law No. 210-FZ, dated 22 July 2024, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

[37] Federal Law No. 275-FZ, dated 8 August 2024, 'On Amending the Federal Law 'On Banks and Banking Activities' and Certain Laws of the Russian Federation'.

Area 5. Ensuring financial stability

- The Bank of Russia expanded[38] **the scope of the monitoring of foreign currency assets and liabilities of major non-financial companies**, which will help obtain and analyse information on a consolidated basis, including with a breakdown by currency. This will help enhance the quality of currency risk assessment and timely develop necessary regulatory measures.
- On 1 November 2024, the regulator **improved the model approach to assessing borrowers' incomes**.[39] In particular, it updated the requirements for the construction of models and enabled the application of the approach to unsecured loans worth up to ₽2 million.
- The Bank of Russia has been empowered to establish MPLs for mortgages and car loans.[40]

[38] Bank of Russia Ordinance No. 6677-U, dated 5 February 2024, and Bank of Russia Ordinance No. 6678-U, dated 5 February 2024.

[39] Bank of Russia Ordinance No. 6806-U, dated 15 July 2024.

[40] Federal Law No. 414-FZ, dated 23 November 2024, 'On Amending Article 45.6 of the Federal Law 'On the Central Bank of the Russian Federation (the Bank of Russia)'.

Changes in indicators

Financial institutions' assets to GDP

- As of the end of 2024 Q3, the ratio of financial institutions' assets to GDP increased year on year from 128.3% to 131.5%. As of 1 October 2024, credit institutions' assets were up by 17.5% year on year, mainly driven by an increase in lending supported by reviving economic activity and a rather high consumer demand. As of the end of 2024 Q3, NFIs' assets increased as well, namely by 16.7% year on year. The growth was largely triggered by a positive revaluation of shares in portfolios as well as by the inflow of customers' funds amid higher household incomes. The most significant influx of funds was recorded by closed-end UIFs for qualified investors. Moreover, money market exchange-traded UIFs and NPFs' LSPs were becoming increasingly popular. Demand for non-credit life insurance products (ELI and ILI) was also growing fast. The growth of the financial sector's assets was constrained by high interest rates, which resulted in a negative revaluation of portfolio bonds.

Stock market capitalisation to GDP

- As of the end of the first 11 months of 2024, stock market capitalisation amounted to ₽47 trillion. Taking into account considerable economic growth rates, the ratio of the stock market capitalisation to GDP equalled 25.4% as of 1 December 2024. However, the indicator, both in absolute and relative terms, is still below the level of early 2022 when the capitalisation equalled ₽62.6 trillion, or 46.1% of GDP.
- Both issuers and investors are showing interest in IPOs again. Since early 2024, the number of IPOs made has increased to 19 (vs 12 in 2023).

Share of individuals' long-term savings in their total savings

- Individuals' investment in long-term instruments (particularly, investment, insurance and pension instruments) continued to grow. The number of individuals involved in the capital market increased. According to Moscow Exchange, the number of individuals with unique passport data having brokerage accounts increased to 34.7 million people (+19% year on year). Concurrently, the amount of household funds with banks is growing fast amid elevated interest rates, since deposits remain customary savings instruments for most individuals. Aggregate household investments in investment, insurance and pension services went up by 19.7% year on year to ₽28.6 trillion, while funds deposited with banks, which make up the largest share of households' savings, rose by 27.2% to ₽52.0 trillion.
- Consequently, as of 1 October 2024, the portion of individuals' long-term savings in their total savings edged down to 35.5% (vs 36.0% in 2023).

Digitalisation of financial services provided to individuals and businesses

- In 2022–2023,[41] the segments under review demonstrated an overall increase in digitalisation of financial services. Thus, the level of digitalisation of financial services provided to individuals and legal entities rose from 78.7% to 83.4% and from 72.1% to 80.2%, respectively.
- The banking sector reports an upturn in digitalisation of non-payment services. The most significant changes were recorded with respect to the services related to opening current accounts for individuals and settlement accounts for legal entities. Digitalisation of payment services remains at a steadily high level.

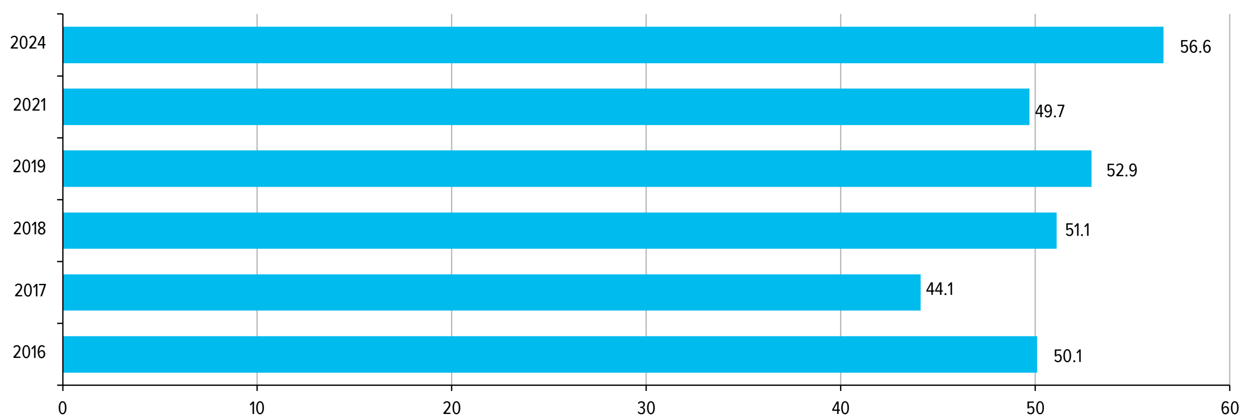
[41] The indicator is calculated on an annual basis, with the most recent data given for 2023.

- The non-banking sector demonstrates a positive trend in digitalisation. Thus, digitalisation increased most significantly in services provided to individuals by MFOs and brokers as well as in services rendered by MFOs and management companies to legal entities.

Composite index of public satisfaction with financial institutions' work, financial products/services and financial service channels

- According to the survey conducted in May 2024, after the indicator dropped in 2021 vs 2019, the composite index of public satisfaction with financial institutions' work, financial products / services, and financial service channels not only rebounded but also reached a record high.
- Both households and SMEs were increasingly satisfied with financial institutions' work: 83.1% of households and 89.9% of SMEs surveyed positively assessed the work of at least one type of financial institutions, which exceeds the figures of May 2021 by 8.1 pp and 7.6 pp, respectively.
- Rising households' satisfaction with remote service channels remains the main contributor to consumers' satisfaction with financial products/services, having increased by 5 pp on average, while households' satisfaction with offline service channels declined.
- Satisfaction is a complex indicator of consumers' subjective assessment of many parameters relating to financial products and services, such as their variety, availability, prices, clarity, quality, etc. Therefore, over the three years under review, the aggregate of all the measures implemented to develop the financial market and ensure its financial stability has had a positive effect on the consumers' satisfaction with the work of financial institutions, financial products/services, and financial service channels.

COMPOSITE INDEX OF PUBLIC SATISFACTION WITH FINANCIAL INSTITUTIONS' WORK *Chart 1*
(%)



Source: the surveys of adults commissioned by the Bank of Russia as part of the assessment of financial inclusion indicators; a calculated indicator from 0 to 100 points.

Assessment of the financial sector's resilience presented in the Bank of Russia's regular Financial Stability Review

Both bank financial institutions and NFIs contribute to the financial sector's resilience. The main indicators of financial resilience remained high or increased.

Banking sector

Owing to increased operating earnings, annual returns on the banking sector's assets remained high over the period under review, approximating 1.9%[42] as of 1 October 2024. However, banks' capital

[42] Adjusted for dividends from resident subsidiary banks.

adequacy[43] declined from 13.2% to 12.1% over the period from 1 April to 1 October 2024, as the growth of lending was outpacing that of capital, taking into account dividend payments. The formed macroprudential capital buffer expanded by 48% to ₽1.1 trillion as of 1 October 2024. In August 2024, the Bank of Russia announced its decision to introduce, from 1 July 2025, a CCyB for banks' capital adequacy ratios in the amount of 0.25% of risk-weighted assets. In November, this decision was adjusted amid accelerated growth in corporate lending: the CCyB will equal 0.25% already from 1 February 2025 and 0.5% from 1 July 2025. Banks' capital buffers will help enhance the resilience of the banking sector and ensure a more balanced growth rate of lending to the economy.

Non-bank financial institutions

The indicators of NFIs (insurers and NPFs) remained stable. However, both insurers and NPFs were changing the structure of their portfolios to limit the losses from asset revaluation and lower profitability, thus reducing the decline in net profit. Insurers expanded the proportion of short-term deposits, and NPFs decreased the share of the trading book subject to revaluation. The same trend was observed with respect to portfolios of leasing companies. They increased the portion of lease agreements with variable payments to reduce their exposure to interest rate risk.

[43] Across all banks, except the bank of non-core assets.

Appendix 3. Financial market development documents

1. Strategy for the Development of the Financial Market of the Russian Federation Until 2030 (2023)[44]
2. Strategy for Improving Financial Literacy and Developing Financial Culture Until 2030 (2023)
3. Guidelines for the Advancement of Information Security in the Financial Sector for 2023–2025 (2023)
4. Guidelines for Financial Technologies Development for 2025–2027 (2024)
5. Priorities of the Financial Inclusion Programme of the Russian Federation for 2025–2027 (draft, 2024)
6. Promising Areas of Banking Regulation and Supervision Development: Current Status and New Objectives (2024)
7. Microfinance Market Development Prospects for 2025–2027 (2024)
8. Bank of Russia Roadmap for the Development of Funding for Small and Medium-sized Enterprises (2023)
9. Action Plan (Roadmap) to Enhance Financial Inclusion for People with Disabilities, Physically Challenged and Elderly People in 2022–2024 (2023)
10. Action Plan (Roadmap) to Implement the Strategy for Improving Financial Literacy and Developing Financial Culture Until 2030 (2023)
11. Bank of Russia Statistical Services Development Programme in Macroeconomic Statistics for 2021–2025 (2020)
12. Audit Development Concept Until 2024 (2020)
13. Climate Risks in Changing Economic Conditions (consultation paper, 2022)
14. Outsourcing Risk Management in the Financial Market (consultation paper, 2022)
15. Decentralised Finance (analytical paper, 2022)
16. Development of the Digital Asset Market in the Russian Federation (consultation paper, 2022)
17. Financial Market: New Challenges in Modern Conditions (consultation paper, 2022)
18. Artificial Intelligence in the Financial Market (consultation paper, 2023)
19. Tokenised Cashless Money in Bank Accounts (analytical paper, 2023)
20. Payment Digitalisation and Innovations in the Payment Market (analytical paper, 2024)
21. Stablecoins: Usage and Regulation Experience (analytical paper, 2024)
22. BRICS+ Experience in Promoting Financial Literacy (analytical paper, 2024)
23. Report on the Bank of Russia's Anti-crisis Measures (2024)
24. Universalisation or Specialisation? Stock Market Participants' Roles (consultation paper, 2024)
25. Analytical paper on the implementation of the Strategy for the Improvement of Financial Literacy in the Russian Federation for 2017–2023 in 2023 (2024)
26. Open APIs in the Financial Market: Key Principles and Stages of Adoption (2024)

[44] Adopted by Directive of the Government of the Russian Federation No. 4355-r, dated 29 December 2022 (as amended by Directive of the Government of the Russian Federation No. 3753-r, dated 21 December 2023).

GLOSSARY

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

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

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

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

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

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

The goals of the Bank of Russia's conduct supervision are as follows:
- ensuring that financial consumers' rights and legitimate interests are observed;
- improving accessibility and quality of financial services;
- increasing financial consumers' confidence in financial market participants, financial products and services they offer; and
- mitigating the risks of violations of financial consumers' rights and effective risk management, including by strengthening the preventive component of supervision.

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

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

DEBT SERVICE-TO-INCOME RATIO
The ratio of total average monthly payments on all loans and microloans of a borrower (including any loan/microloan, the application for which is pending) to the amount of the borrower's average monthly income calculated in accordance with the Bank of Russia regulations.

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

DIGITAL PROFILE
A public infrastructure based on the USIA and designed for an individual to obtain information about himself/herself from state information systems and for providing this information, subject to the individual's consent, to organisations for the purpose of obtaining financial services.

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

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

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

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

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

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

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

FINANCIAL PLATFORM
An information system that enables financial institutions or issuers to interact with financial consumers via the Internet in order to enable financial transactions, the access to which is provided by the financial platform operator.

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

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

OPEN API
Publicly available API that provides developers with programmatic access to companies' data about their products and clients.

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

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

OPEN PLATFORM (MARKETPLACE)
An online trade platform that is accessible to participants based on public criteria determined by the platform.

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

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

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

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

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

STRESS TESTING
The study of changes in the properties of a system or an object under non-standard (stress) conditions. In the case of a financial institution, stress testing means evaluating its financial resilience in a severe but plausible scenario.

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

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

UNIFIED BIOMETRIC SYSTEM
A unified information system of personal data that ensures the processing (including collection and storage of biometric personal data), verification and transmission of information on the extent to which they match the biometric personal data provided by an individual for identification and authentication purposes.

UTILITY DIGITAL RIGHTS
Digital rights to demand a transfer of things, exclusive rights to the results of intellectual activity, the rights to use the results of intellectual activity, performance of work and provision of services, which can be purchased, sold and exercised on an investment platform.

ABBREVIATIONS

ACCC – agricultural consumer credit cooperative

AI – artificial intelligence

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

API – application programming interface

C2G – consumer-to-government (payments)

CCC – consumer credit cooperative

CCMP – Commercial Consent Management Platform

CCyB –countercyclical buffer

CDIF – Compulsory Deposit Insurance Fund

DFA – digital financial asset

DSTI – debt service-to-income ratio

EAEU – Eurasian Economic Union

E-com – electronic commerce

ELI – endowment life insurance

EQES – enhanced qualified electronic signature

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

FBB – foreign bank branch

FSES – Federal State Educational Standard

FSIS – Federal State Information System

FSRP – financial stability recovery plan

ICAAP – internal capital adequacy assessment process

IESO – information exchange service operator

IIA – individual investment account

ILI – investment life insurance

IPO – initial public offering

IRBA – internal ratings-based approach

ISO – International Organization for Standardization

IT – information technologies

ITU – International Telecommunication Union

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

LCR – liquidity coverage ratio

LSP – long-term savings programme

MFO – microfinance organisation

MPG – Monetary Policy Guidelines

MPL – macroprudential limit

NFI – non-bank financial institution

NPCS – National Payment Card System Joint Stock Company

NPF – non-governmental pension fund

NPP – non-governmental pension provision

OCP – open currency position

OIS – operator of an information system

PIT – personal income tax

Programme – Russian Financial Market Development Programme

PSMP – professional securities market participant

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

RNRC – Joint Stock Company Russian National Reinsurance Company

SBP – Faster Payments System

SFR – Social Fund of Russia

SICI – systemically important credit institution

SME – small and medium-sized enterprise

SPFS – Financial Messaging System

SRO – self-regulatory organisation

SST – supervisory stress testing

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

TIN – Taxpayer Identification Number

TS and SAE – technological sovereignty and structural adaptation of the economy

TSC – trade and service company

UBS – Unified Biometric System

UDR – utility digital right

UIF – unit investment fund

ULLI – unit-linked life insurance

USIA – Unified System of Identification and Authentication