

FSB- G20 - MONITORING PROGRESS – Russia September 2011

<p align="center">#</p> <p align="center"># in brackets are # from the 2010 template</p>	<p align="center">G20/FSB RECOMMENDATIONS</p>		<p align="center">DEADLINE</p>	<p align="center">PROGRESS TO DATE</p> <p align="center"><i>Explanatory notes:</i></p> <p><i>In addition to information on progress to date, specifying steps taken, please address the following questions:</i></p> <p><i>1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?</i></p> <p><i>2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?</i></p> <p><i>Also, please provide links to the relevant documents that are published.</i></p>	<p align="center">PLANNED NEXT STEPS</p> <p align="center"><i>Explanatory notes:</i></p> <p><i>Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)</i></p> <p><i>Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?</i></p> <p><i>What are the key challenges that your jurisdiction faces in implementing the recommendations?</i></p>
<p>I. Improving bank capital and liquidity standards</p>					
<p align="center">1</p>	<p align="center">(Pitts)</p>	<p align="center">Basel II Adoption</p>	<p>All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.</p>	<p align="center">By 2011</p>	<p>To implement some of the recommendations contained in Pillar 1 - Minimum Capital Requirements of International Convergence of Capital Measurement and Capital Standards: a Revised Framework of the Basel Committee on Banking Supervision, hereinafter referred to as Basel II, the Bank of Russia issued Ordinance No. 2324-U of November 3, 2009, 'On Amending Bank of Russia Instruction No. 110-I of January 16, 2004, 'On Banks' Required Ratios' (hereinafter referred to as Ordinance No. 2324-U) and Regulation No. 346-P of November 3, 2009, 'On the Procedure for Calculating Operational Risk' (hereinafter referred to as Regulation No. 346-P). These two documents came into force on the 1st of July, 2010. Ordinance No. 2324-U implemented the Basel II simplified standardised approach to credit risk assessment for the purpose of calculating the capital adequacy ratio (N1) by credit institutions. In addition, the N1</p> <p>The Bank of Russia has launched a programme to implement the IRB-approach for credit risk (Pillar 1) on the horizon 2015 for selected banks. The implementation of the IRB-approach of Pillar 1 "Minimum Capital Requirements", Pillar 2 "Supervisory Review Process" and Pillar 3 "Market Discipline" of Basel II in the Russian Federation needs legislative background regarding granting to the Bank of Russia powers to set different approaches to RWAs' calculation (Pillar 1), to establish rules for risk management by credit institutions (Pillar 1 and Pillar 2) and their obligation to disclose the information about risk exposure and risk management procedures to the wide range of users (Pillar 3). Taking into consideration the abovementioned, it is supposed to implement Pillars 2 and 3 in the Russian Federation not earlier than in 2013. The Bank of Russia supposes that the</p>

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					<p>calculation will take into account operational risk, the calculation of which is described in Regulation No. 346-P on the basis of the Basel II basic indicator approach. Operational risk capital requirements are introduced gradually - 40% of operational risk capital requirements since 01.08.2010, 70% - since 01.08.2011 and 100% since 01.08.2012 and subsequent years. The Bank of Russia has developed the Methodological Recommendations for Credit Institutions for the Internal Capital Adequacy Procedures and communicated them to credit institutions (the Bank of Russia's letter № 96-T from 29.06.2011). The Methodological Recommendations include minimal standards on organizing of internal capital adequacy assessment procedures by credit institutions for covering of taken and potential risks and capital planning, and also a reporting form, containing the information about the results of the internal assessment of capital adequacy, which the credit institutions should submit to the Bank of Russia. After the adoption of the federal law empowering the Bank of Russia to set rules of the organization of risk and capital management, the Methodological Recommendations will be reissued as a regulation (consolidated supervision law, see right column).</p>	<p>implementation of Pillar 2 of Basel II will be phased in and will take no less than five years. The largest credit institutions are proposed to start development and implementation of internal capital adequacy procedures now on a voluntary basis.</p> <p>One of the key conditions for successful implementation of Basel II provisions is the work on draft amendments to the Federal Law on Banks and Banking Activities and the Federal Law on the Central Bank of the Russian Federation (the Bank of Russia) in regard of specifying the main provisions of consolidated supervision and the requirements for credit institutions, banking groups and bank holdings to disclose information about their activities (hereinafter - draft law on consolidated supervision).</p> <p>The draft law on consolidated supervision passed in the first reading of State Duma of the Federal Assembly of the Russian Federation on 18, May, this year. The working group for updating of the draft law on consolidated supervision for the second reading was set up by the decision № 156/1 from 4, July, 2011 of the State Duma's Committee on Financial Market. The working group has prepared and submitted to the State Duma's Committee on Financial Market an amendment to the draft law which determines the definition of "parties related with the credit institution", presumes the limitation of risks related with the operations with such parties and sets the power of the supervisory body to use professional judgment for classifying legal entities and natural persons as related parties. It is supposed that the draft law will be considered by the State Duma this autumn.</p>
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	(FSF 2009)		1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.			
	(FSF 2008)		II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices.			
	(FSB 2009)		Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.			
II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	In order to implement Basel III principles the Bank of Russia is considering the methodology to identify national systemically important banks (SIBs) which will need closer supervision and discussing the policy measures to address issues of SIBs. The necessary steps for implementation of these measures will follow the approval of the recommendations at the upcoming G20 Summit (Cannes, November 3-4, 2011).	The assessment methodology and the additional loss absorbency requirement for G-SIBs approved by the G-20 will be taken into account by the Bank of Russia (with possible adjustments) while working out regulation of national SIBs. Bank of Russia will also take into account future recommendations of the BCBS and FSB on policy measures for national SIFIs. Bank of Russia plans to prepare and discuss with systemically important banks legislative initiatives for the development of the recovery plans of such banks as well as changes in SIFIs risk regulation and supervision regime.

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					bodies representatives from Austria, Armenia, Belorussia, Ukraine, Cyprus, Germany and France. It is supposed to hold meetings of this supervisory college on a permanent basis.	
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	Article 51 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia) stipulates that the Bank of Russia may request information or documents from the central bank or banking supervisory authority of a foreign state received by them from credit institutions while fulfilling supervisory functions. It may also provide the banking supervisory authority of a foreign state with such information or documents that do not contain data on operations conducted by credit institutions and their customers. At the same time, Article 26 of the Federal Law on Banks and Banking Activities places certain restrictions on the composition of information the Bank of Russia may present to foreign supervisors. For example, the Bank of Russia is not entitled to disclose information about the accounts, deposits and specific transactions it receives from credit institutions' reports in the course of supervision. Some of the legislative restrictions are to be removed by the draft law on consolidated supervision. These amendments stipulate, among other things, that the supervisory authorities may be provided, on the basis of confidentiality, with information about customer transactions and transactions conducted by credit institutions' correspondents, which these authorities may need to perform their supervisory functions, including the assessment of risks taken by cross-border credit institutions.	See detailed information on the legislative amendments preparation in clause 1 of Section I of this table.
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates,	Ongoing	In order to introduce strong and effective supervision certain legislative changes are needed. First of all, it relates to informed	The Russian Banking Sector Development Strategy until 2015 presumes amendments to the federal legislation empowering the

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			sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.		(professional) judgment, appointment of the Bank of Russia representatives to banks, full-fledged consolidated supervision. Now some draft laws are under consideration of the Parliament. The newly established Financial Stability Department of the Bank of Russia undertakes regular monitoring of financial stability risks, stress-testing and develops set of preventive measures to address potential instability.	Bank of Russia to apply corrective measures to the credit institutions for identified shortcomings in their corporate management systems, to apply the corrective measures to managers and owners of the credit institutions, including measures recommended by the Basel Committee of Banking Supervision in the Supervisory Guidance on Dealing with Weak Banks (2002), and to issue regulations providing the order of application of corrective measures to the credit institutions. The Bank of Russia and the Ministry of Finance of the Russian Federation are developing the draft law now.
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing		
12 (30)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing		

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16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing		
Securitisation						
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	<p>During 2010, supervisors and regulators will:</p> <ul style="list-style-type: none"> • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets. 	During 2010		
18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	<p>The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010.</p> <p>Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.</p>	By 2010		
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing		
20 (54)	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured	Ongoing		

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		structured products	products.			
21 (14)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing		
IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts) (Lon)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	<p>We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field.</p> <p>All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.</p> <p>We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.</p>	By end-2012 at the latest	<p>The Government of the Russian Federation has adopted the federal law "On Clearing and Clearing Activity" dated February 7, 2011. The federal law includes the concept of central clearing counterparty and formulates the requirements for supervision and regulation its risks.</p> <p>In Russia there is no developed market of derivatives. At the same time the amendments to the Federal Law "On the Securities Market" were elaborated, which foresee the need of standardisation and classification of different derivative types.</p>	<p>Amendments to various legislative acts of the Russian Federation are in the development stage, the purpose of which is to protect the rights of investors, reduce operational risks when making transactions on the stock market, and also bringing the system of registration of rights to securities in the Russian Federation in line with standards of international law.</p> <p>The State Duma is also reviewing the draft Federal Law on Organized Tenders. The draft is aimed at improving the activities of organizers of trade on the stock market, commodity and stock exchanges, standardization of rules of exchange trade, optimization of the procedure for conducting tenders, protecting participants in tenders and investors, and also increasing the transparency of tenders and activities of exchanges and trading floors by introducing new standards of information disclosure.</p> <p>It is planned to introduce amendments to the legal regulation of the circulation of over-the-counter derivatives. These financial instruments will be created on terms of general agreements registered at a financial oversight body and be subject to registration at special repositories. It is also planned to secure legislatively the procedure for</p>

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						conducting netting for these financial instruments. In addition, it is also separately planned to secure legislatively the procedure for conducting liquidation netting of obligations from transactions concluded at auction tenders and obligations from transactions concluded on terms of general agreements.
V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing		
24 (26)	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	Article 57 of the Federal Law on the Bank of Russia empowers the Bank of Russia to set for credit institutions compulsory rules for compiling and presenting accounting, financial and statistical statements, as well as other information stipulated by federal laws. The Bank of Russia also has the right to set the procedure for providing information by members of a banking group about their activities, which is necessary for compiling consolidated statements. In addition, to fulfil its functions, the Bank of Russia has the power, in compliance with the list drawn up by its Board of Directors, to request and receive information from credit institutions about their activities and demand explanations about this information. The Bank of Russia collects all information about credit institutions necessary to detect and size up problems and potential risk for the banking system and groups of banks. Besides this, the Instruction of the Bank of	Currently, work is underway to organize data exchange between the Bank of Russia and the Federal Financial Markets Service of Russia on the basis of signed agreements between the regulators, "On information interaction between the Central Bank of the Russian Federation and the Federal Service for Financial Markets" (9 August 2011). The information received by the regulators under the Agreement will allow each of them to analyze the situation in their sectors of the financial market more thoroughly. The Bank of Russia constantly makes efforts to upgrade the reports presented by credit institutions in the course of supervision. Specifically, to enhance the effectiveness of control over the risks assumed by credit institutions, it is planned: - to work out and introduce new reporting forms, such as an interest rate risk

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					<p>Russia dated 13.11.2010 № 2519-U «On the amendments to the Instruction of the Bank of Russia dated 08.09.2008 № 2089-U «On the submitting of annual reports by the credit institutions» essentially extends the information about the activities of the credit institutions to be disclosed. In particular, in an explanatory note to the annual report the credit institution should disclose the information about levels and concentration of risks, including country and industry concentration, quality of assets, volume of assets with overdue payments, transactions with the related parties, off-balance transactions amount, paid-out compensations, and risk-management procedures accepted by the credit organizations.</p>	<p>reporting form, a reporting form on persons affiliated with a credit institution and operations with them and a reporting form on credit risk concentration compiled on a consolidated basis; - to upgrade the effective reporting form on assets and liabilities by term and maturity. At the same time a number of matters related to credit institutions disclosure of the information on their activities for a wide range of users, including the Bank of Russia relates to the requirements for credit institutions and banking groups to disclose information on risks, risk assessment procedures and risk management (Pillar 3 "Market discipline" of Basel II). It is supposed to resolve this matter by adopting draft law on consolidated supervision. More detailed information on legal amendments preparation see in clause 1 of Section I of this table.</p>
25 (28)	(FSF 2009)	Use of macro-prudential tools	<p>3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level... Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.</p>	End-2009 and ongoing		
26 (29)	(WAP)	Monitoring of asset price changes	<p>Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.</p>	Ongoing		<p>The Bank of Russia is starting work on vulnerabilities detection including asset bubbles.</p>

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27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	<p>There is a cooperation process based on formal bilateral agreements between the Bank of Russia and the governmental authorities performing control and supervisory functions in financial and economic affairs, including: Federal Financial Markets Service, Federal Tax Service, Federal Antimonopoly Service, Federal Financial Monitoring Service, Federal Financial – Budgetary Supervision Service, Deposit Insurance Agency. Presidential Council for the Financial Market Development is the coordinating authority on SIFI and systemically important financial market infrastructures policy.</p> <p>The Bank of Russia also provides to the Ministry of Finance information about largest banks on the basis of its written request.</p> <p>Under these agreements the Bank of Russia shares information with mentioned bodies of state government on individual credit institutions as well as aggregated information on the banking sector.</p>	<p>Some of the legislative restrictions are to be removed by the draft law on consolidated supervision. These amendments stipulate, in addition to other provisions, that supervisory authorities may be provided, on the basis of confidentiality, with information about customer transactions and transactions conducted by credit institutions' counterparties, which these authorities may need to perform their supervisory functions, including the assessment of risks assumed by cross- border credit institutions.</p> <p>See detailed information on the legislative amendments preparation in point 1 of Section I of this table.</p>
VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	<p>Since 2004 credit organisations prepare the IFRS financial statements according to the Instruction of the Bank of Russia of December 25, 2003, № 1363-U «On preparation and presentation the financial statements by credit organizations».</p> <p>Rules of accounting in credit organisations include basic principles of IFRS (underlying assumptions and qualitative characteristics). The accounting order of particular operations and transactions by credit organizations is consistent with the requirements of the IFRS.</p> <p>Federal Law № 208-FZ dated 27.07.2010 "On Consolidated Financial Statements" came into force on 10, August 2010.</p> <p>According to this law a credit institution</p>	<p>The commission was established on 29.04.2011 by the Ministry of Finance to determine an expert body to carry out an expertise of applicability the International financial reporting standards documents on the territory of the Russian Federation. For this purpose the Fund «Financial account and the reporting standards National organization" was determined by the commission as an expert body on 7, July 2011. Now the expertise of applicability of IFRS and Interpretations of IFRS on the territory of the Russian Federation is in progress in terms of the agreement between the Ministry of Finance of the Russian Federation and the Fund «Financial account and the reporting</p>

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				<p>which is the parent organization of a group under IFRS, compiles, submits and publishes consolidated financial reporting in accordance with IFRS starting from the reporting for the year, following the year in which IFRS are recognized to be implemented on the territory of the Russian Federation.</p> <p>The law stipulates that IFRS and SIC-IFRIC interpretations adopted by IFRS Foundation and recognized in the order established by the Government of the Russian Federation agreed with the Bank of Russia in accordance with the Russian legislation requirements will be used on the territory of the Russian Federation.</p> <p>«Regulations on the recognition of the International financial reporting standards and Interpretations of the International financial reporting standards for application on the territory of the Russian Federation» were approved by the Resolution of the Government of the Russian Federation from 25.02.2011 №107.</p> <p>The draft law “On Accounting” that was adopted by the State Duma in its first reading provides for application of international standards as a basis for developing national accounting standards, establishes unified accounting requirements and introduces the application of the accounting regulation procedure generally recognized in the world, which is based on combining the activities of governmental and nongovernmental regulation bodies (self-regulated organizations, professional associations, and others).</p>	<p>standards National organization".</p> <p>The Government of the Russian Federation is planning to adopt the Plan of further development of accounting and reporting for 2011-2015 on the basis of International financial reporting standards that requires the following:</p> <ul style="list-style-type: none"> - initial recognition IFRSs and IFRS Interpretations as of January 1, 2011, for applying them in the Russian Federation; - completing the bringing of earlier adopted normative legal acts in regard to individual accounting (financial) statements into compliance with IFRSs; - adoption of the new normative legal acts in regard to individual accounting (financial) statements on the basis of IFRSs. <p>The final adoption of the draft federal law “On Accounting”.</p>
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29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011		
30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	<p>At the end of 2010 the Bank of Russia amended the Instruction of the Bank of Russia of October 10, 2008, № 2089-U «On the procedures of preparation annual report by credit organizations» that includes the requirements about disclosure, significantly approached to IFRS, concerning the items of balance sheet, profit and loss statement, cash flow statement and other appropriate data for users of information.</p> <p>The complex financial instruments have not been widely used by firms in the real sector of economy in Russia. In this context the Russian standard on financial investment for firms of the real sector is based on IFRS, taking into account the level of firm's involvement in transactions with financial instruments. The standard provides for the requirement to assess the valuation of financial investments and to build valuation reserves.</p> <p>At the end of 2009 the Ministry of Finance of Russia issued a document «On information disclosure about financial investments in the annual financial statements». In accordance with the document firms should disclose in their annual financial statements additional information on financial position, activities</p>	

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					and results, including the scheme and potential risks of financial investments, and the approaches to an assessment of the current (fair) value of financial investments. Therefore, the Ministry of Finance of Russia issued a document «On information disclosure about below-line accounts in the annual financial statements». In accordance with the document firms should disclose additional information on derivative financial instruments.	
31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	In order to bring the Russian accounting rules for credit organizations into compliance with IFRS in July 2011 the Bank of Russia adopted the Regulation of July 7, 2011, № 372-P «On the procedures of derivative accounting» which stipulates that obligatory derivatives accounting at fair value by credit organizations is required since January 1, 2012. See also information in clause 30 of this Section of the table.	Now the problem of prudential filters for recognition of realised gains and losses on derivatives in regulatory capital is under consideration.
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/FSB periodic peer reviews (Note) Please try to prioritise any	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews,	Ongoing	Russia on a regular basis is assessed by the IMF-World Bank Financial Sector Assessment Programme (FSAP). Russia is also in dialogue with FSB evaluation team and is in the list of jurisdictions taking the actions recommended by the FSB and/or making material progress toward demonstrating sufficiently strong adherence. The latest FSAP assessment was conducted in March-April 2011 and included the assessment of compliance of the Russian banking regulation and	These problems are resolved in the draft law on consolidated supervision. More detailed information on the preparation of legislative amendments see in clause 1 of Section I of this table.

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	(WAP)	major initiatives conducted specifically in your jurisdiction.	<p>using among other evidence IMF / World Bank FSAP reports.</p> <p>All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.</p>	<p>supervision system with the Basel Committee's 2006 Core Principles for Effective Banking Supervision. In the course of the 2011 assessment only 10 principles were reassessed and revealed some improvement since 2007-2008 assessment. Experts came to the conclusion that Russia complies or largely complies with most of the Core Principles. At the same time, they pointed to the areas where Russian banking regulation and supervision practices still should be upgraded. This particularly applies to consolidated supervision, Bank of Russia (CBR)'s approval of nonbank domestic investments, regulation of provisioning for country and transfer risk.</p> <p>For example, the terms 'banking group' and 'bank holding', as they are used in Russian practice, are considerably narrower than those recommended by the Basel Committee and used according to the International Financial Reporting Standards. Some terms, such as 'control' and 'related parties', were absent. In addition, the Russian law places a limit on the amount of information which can be exchanged between the parent companies of banking groups and bank holdings and their members, including those located in foreign states, and supervisors, as it does not include data about customer transactions and transactions conducted by correspondents of member credit institutions.</p> <p>Experts also noted that the amendments in accordance with the draft law on consolidated supervision will enhance the compliance to the Basel recommendations. Short report on the assessment is published on official IMF web-site www.imf.org.</p> <p>Stress testing results are widely used in</p>	<p>The Bank of Russia plans to continue the upgrade of the macroeconomic stress-testing approach, including Implementation of macroeconomic model and development of bottom up stress-testing.</p>
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					<p>supervisory practice. Macroeconomic model is being improved.</p> <p>Legislation improvements are prepared to lower the minimum level of acquisition from 20% to 10% when the approval of the Bank of Russia is required.</p> <p>The Ministry of Finance of the Russian Federation with the participation of the Bank of Russia has prepared a draft federal law "On amendments to some legislative acts of the Russian Federation" (in terms of simplifying procedures and reducing costs of issuance of securities by commercial banks).</p> <p>In addition, the Ministry of Finance of the Russian Federation with the participation of the Bank of Russia continued work on the draft Federal Law On Amending the Federal Law On Banks and Banking Activity and On the Central Bank of the Russian Federation (in terms of specifying the requirements to the management of credit institutions it provides the Bank of Russia the power to determine the criteria of their reputation), aimed at preventing admission to the management of credit institutions dishonest and incompetent persons, increasing requirements to the management and owners of credit institutions, the Bank of Russia will have additional powers to monitor compliance with the requirements, which is in line with international approaches.</p>	
Reforming compensation practices to support financial stability						
33 (15)	(Pitts)	Implementation of FSB/FSF compensation principles	We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and	End-2010	In December 2010 the Government of the Russian Federation approved General Guidelines to banks and companies with state participation based on the FSB sound practice compensation principles. The Bank of Russia had taken part in drafting the above mentioned guidelines.	In order to provide additional powers concerning credit institutions' remuneration systems regulation the Bank of Russia is drawing up draft amendments to Law on the Central Bank of the Russian Federation (to be submitted to legislative body by end 2012). In order to inform Russian credit

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			<p>structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately.</p> <p>We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.</p> <p>We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.</p>		<p>In January 2011 the Bank of Russia made a survey of the implementation of the FSB Principles and Standards by 46 Russian largest banks, which filled out the Questionnaire, based on the BCBS' document "Compensation Principles and Standards Assessment Methodology"(January 2010). The answers to the Questionnaire have been verified with the information disclosed by banks in IFRS reporting.</p> <p>As a part of on-site inspections in 2010 the Bank of Russia collected the information on Russian credit institutions remuneration practices to provide an assessment of their corporate governance and risk management systems. Also, the Bank of Russia used this information during on-site examinations of banks credit portfolios in case of connected loans granted to their employees.</p>	<p>organisations on methodologies for risk and performance alignment of remuneration best practice the Bank of Russia is preparing draft of the Bank of Russia Letter "On BCBS recommendations on range of methodologies for risk and performance alignment of remuneration" (approximate timeline of issue is the 1st half-year 2012) which includes unofficial Russian translation of the indicated BCBS document, dated May 2011.</p> <p>In order to provide additional parameters of estimation of management quality with regard to the effectiveness of credit institutions' remuneration systems the Bank of Russia is preparing final draft amendments to the Bank of Russia Regulation № 2005-U "On Bank Economic Position Assessment", dated April 30, 2008. (approximate timeline is the 1st half-year 2012).</p>
	(Tor)					
	(Seoul)					
34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify	Ongoing	See clause 33 (15).	

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			compensation structures in the case of firms that fail or require extraordinary public intervention.			
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	Accreditation procedures for rating agencies were introduced by the Ministry of Finance of Russia. This procedure was elaborated taking into account the IOSCO principles in this area.	
36 (38)	(Lon)	CRA practices and procedures etc.	<p>National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process.</p> <p>CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process.</p> <p>The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.</p>	End-2009		
37 (39)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010		

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		CRA's				
38 (40)	(Seoul)	Reducing the reliance on ratings	<p>We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings.</p> <p>IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.</p>	Ongoing		
	(FSF 2008)					
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	<p>The Bank of Russia conducts stress tests on a semi-annual basis (in crisis on a quarterly and monthly basis). The principal stress testing assumptions are quite tough and correspond to the probable events. The stress testing methodology has been developed in compliance with FSAP major recommendations. Stress scenarios have been revised, taking into account the lessons of the crisis. Since 2004 year results of stress-testing have been published annually in the Banking Supervision Report.</p>	The Bank of Russia plans to continue the upgrade of the macroeconomic stress-testing approach.
40 (49)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing		See clause 1.
41 (53)	(WAP)	Enhanced risk disclosures by financial	Financial institutions should provide enhanced risk disclosures in their reporting and	Ongoing		See clause 24 (26).

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		institutions	disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.			
Others						
42 (46)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	<p>Bank of Russia jointly with the Deposit Insurance Agency carried out activities aimed at maintaining the stable operation of deposit insurance system. To date, the Russian system of deposit insurance incorporates almost all the Core Principles for Effective Deposit Insurance Systems, approved jointly by the Basel Committee on Banking Supervision and the International Association of Deposit Insurers, and develops in line with modern trends.</p> <p>The Bank of Russia and the Agency continuously monitor the sufficiency of insurance coverage to depositors of banks and, if necessary, will prepare proposals for adjusting the level of insurance reimbursement and the level of premiums.</p>	The possibility of expanding the range of insured parties under the deposit insurance scheme by including individual entrepreneurs operating without a legal entity is under consideration.
43 (55)	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	<p>Stabilization of the situation in the banking sector and recovery of credit activity allowed the Bank of Russia to withdraw in 2010-2011 its anti-crisis support for the banking sector and return to the standard bank refinancing instruments.</p> <p>More than 40% of the volume of subordinated loans provided to commercial banks during the crisis through the special law have been repaid before appointed time (the end of 2010).</p>	

Origin of recommendations:

Seoul: The Seoul Summit Document (11-12 November 2010)

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)

Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)

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Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)

WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)

FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)

FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)

FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)