

FSB- G20 - MONITORING PROGRESS – Russia September 2010 [For Publication in March 2011]

#		G20/FSB RECOMMENDATIONS	DEAD-LINE	<p align="center">PROGRESS TO DATE</p> <p align="center"><u>Explanatory notes:</u></p> <p>In addition to information on progress to date, specifying steps taken, please address the following questions:</p> <ol style="list-style-type: none"> 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? 2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results? <p>Also, please provide links to the relevant documents that are published.</p>	<p align="center">PLANNED NEXT STEPS</p> <p align="center"><u>Explanatory notes:</u></p> <p>Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)</p> <p>Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?</p> <p>What are the key challenges that your jurisdiction faces in implementing the recommendations?</p>

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I. Building high quality capital and mitigating procyclicality						
1	(Pitts)	Basel II Adoption			<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.</p> <p>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 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 will be 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.</p> <p>The implementation of 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 establish rules for risk management by credit institutions (Pillar 2) and their</p>	<p>These matters are to be resolved in terms of 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).</p> <p>In the first half of 2010 by order of the Government of the Russian Federation the draft law was actively discussed by the Ministry of Finance of the Russian Federation, the Bank of Russia, the Ministry of Economic Development, Federal Antimonopoly Service of Russia and Federal Service for Financial Markets and proceeded the legal expertise in the Ministry of Justice of Russia and in the Institute of Legislation and Comparative Law under the Government of the Russian Federation. The draft law agreed by those ministries and agencies was secondary submitted by the Ministry of Finance to the Government of the Russian Federation in May, 2010. Simultaneously the draft law was examined by the Council for Codification and Enhancement of Civil Legislation under the President of the Russian Federation which raised a number of important issues that need additional settlement of some matters in terms of the draft law. The agreed view of interested ministries (agencies)</p>
			All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011		

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					<p>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.</p>	<p>upon the results of considering the proposals of the Council for Codification and Enhancement of Civil Legislation under the President of the Russian Federation was submitted by the Ministry of Finance to the Government of the Russian Federation in September, 2010. It is expected that the draft federal law will be adopted by the State Duma in the first half of 2011.</p> <p>Simultaneously the Bank of Russia is now working on the preparation of legal background for the implementation of Pillars 2 and 3 to the Russian banking practice. This work is conducted under the Project “Banking Supervision (Basel II)” of the Euro system Cooperation Program with the Bank of Russia.</p>
2	(FSB 2009) (Tor)	Basel II trading book revision	<p>Significantly higher capital requirements for risks in banks’ trading books will be implemented, with average capital requirements for the largest banks’ trading books at least doubling by end-2010.</p> <p>We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.</p>	By end-2011		<p>The implementation of the revised capital requirements for market risk regulation concerning standardized approach will be considered by the Bank of Russia.</p>
3	(Pitts)	Build-up of capital by banks to support lending	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing		
4	(FSF 2009)	Basel II – Pillar 2 enhancement	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process	End-2009 and ongoing	At present, decision-making in the Bank of Russia is based on information received in the course of ongoing supervision of credit institutions and the analysis, assessments and	

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			to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.		forecasts for the banking sector as a whole. Stress testing plays an auxiliary role.	
5	(Lon)	Supplementation of Basel II by simple, transparent, non-risk based measure	Supplement risk-based capital requirements with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.	Ongoing	The Bank of Russia is considering the possibility of setting a minimum ratio of capital to total assets and off-balance-sheet positions not weighted by risk (the so-called leverage ratio).	The implementation of leverage ratio requirement will be considered according to the phased-in arrangements (taking into account parallel run period) and BCBS consultative document Strengthening the Resilience of the Banking Sector.
6	(Pitts) (Tor)	Development of international rules to improve quantity & quality of bank capital	<p>We commit to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012.</p> <p>We agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the FSB and BCBS.</p>	End-2010, implement over a timeframe that is consistent with sustained recovery and limits market disruption	The Bank of Russia is currently studying the approaches to the improvement of bank capital quality and the introduction of the leverage ratio (see clause 5 of this Table).	The approaches to the improvement of bank's capital quality will be implemented according to the phased-in arrangements and BCBS consultative document Strengthening the Resilience of the Banking Sector.
7	(FSF 2008)	Monitoring of banks' implementation of the updated guidance	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	Ongoing	At present the principles for liquidity risk management elaborated according to international approaches are specified in the Letter of the Bank of Russia No. 139-T of July 27, 2000 "On recommendations for credit organisation's liquidity analysis" and in the Letter of the Department of banking regulation and supervision of the Bank of Russia No. 15-	See clause 8.

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			more prescriptive action to improve practices.		1-1-15/4060 of October 8, 2007 “On international standards for liquidity risk management in credit organisations”. During the on-site and off-site supervision the way how this recommendations are implemented by banks is being checked regularly. Moreover according to Bank’s of Russia Instruction No. 110-I all banks have to comply with the following liquidity ratios: N-2 for immediate liquidity: 15 percent, N-3 at 50 percent for current liquidity (30 days), and N-4 at 120 percent for long term liquidity. This limits must be met on a daily basis and the Bank of Russia has the right to impose sanctions in case of non compliance with the mentioned above ratios.	
8	(Lon)	Development of liquidity framework	The BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.	By 2010	The Bank of Russia is currently studying the approaches to the enhancement of the liquidity risk regulation and provides for the introduction of the minimum liquidity coverage ratio, which makes it possible to determine whether a bank is capable of continuing to do its business during the next 30 days, and the long-term liquidity coverage ratio, which allows supervisors to evaluate a bank’s liquidity in a one-year horizon.	The approaches to the enhancement of the liquidity risk regulation will be implemented according to the phased-in arrangements as soon as BCBS consultative document International Framework for Liquidity Risk Measurement, Standards and Monitoring is finally approved.
9	(FSB 2009)	Enhancement of supervision of banks’ operation in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks’ operation in foreign currency funding markets.	Ongoing		At present the Bank of Russia is considering the approaches to introduce measures in order to control bank’s operations in foreign currency funding markets.
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		

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II. Strengthening accounting standards							
11	(WAP)	Consistent application of high-quality accounting standards			<p>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.</p>	<p>Ongoing</p> <p>One of the recent key initiative in this area is an adoption (July 2010) of the Federal Law “On Consolidated Financial Reporting”. The federal law provides a legislative basis for direct application of IFRS by Russian companies when preparing consolidated financial statements. This Federal law establishes the general requirements for the order of compiling, submitting and publishing consolidated financial statements in accordance with IFRS. It applies to credit organizations, insurance organizations, other organizations whose securities are permitted for circulation on tenders of stock exchanges and other organizers of trade on the securities market, as well as other organizations if federal laws or constituent documents of the organization provide for the submission and (or) publication of consolidated financial statements.</p> <p>The Bank of Russia is a member of the Accounting Task Force (ATF), formed by the BCBS to cooperate with the International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) in upgrading the assessment of financial instruments and work out uniform global accounting standards.</p>	<p>Adoption of the draft Law “On Accounting” will become another equally important step from the standpoint of applying high-quality accounting standards and increasing the quality of information about the financial status of organizations. The draft law provides for application of international standards as the basis for developing national accounting standards, determines the procedure for developing and approving accounting standards, establishes unified accounting requirements and introduces the application of the model of regulating accounting 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>The draft law was adopted by the State Duma in its first reading.</p>
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.			<p>End-2009</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 and results, including the scheme and potential risks of financial investments, and</p>	

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					<p>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.</p>	
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13	(FSF 2009)	Dampening of dynamics associated with FVA.	<p>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.</p>	End-2009	<p>As a member of the ATF, the Bank of Russia participates in the efforts to raise the quality of financial instrument valuation standards and establish uniform global accounting standards.</p> <p>In 2009, it took part in the work on a new version of Financial Instruments: Classification and Measurement (IFRS 9) and ED Fair Value Measurement, drafted in line with the plan for the step-by-step replacement and revision of IAS 39 Financial Instruments: Recognition and Measurement. It is believed that the adoption of IFRS 9 will help simplify the procedure for categorising financial instruments and make market participants' financial statements more transparent. IFRS 9 is to reduce the number of financial asset categories to two categories: financial assets measured at fair value and financial assets measured at amortised cost. According to IFRS 9, the decision to categorise financial assets as those accounted for at amortised cost is predicated on the business model adopted by the bank and the established assets and liabilities management practice. Financial assets are to be reclassified whenever the business model is changed.</p> <p>Problems relating to the use of the accounting model based on fair value continue to be discussed in the course of drafting the document ED Fair Value Measurement, whose principal objective is to accord IFRS with US accounting standards pertaining to the fair value measurement of the financial instruments and the establishment of the regime of full and fair disclosure of information about the valuation procedures that are used.</p>	
14	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market	Ongoing	The draft law specifying requirements for the credit institutions concerning the disclosure of	

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			the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.		principles.	
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 compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing		See clause 15.
IV. Improving OTC derivatives markets						
17	(Lon)	Development of action plan on the standardization of CDS markets (eg CCP)	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.	Autumn 2009	The Government of the Russian Federation is finally considering a federal law "On clearing and clearing activity". The law includes the concept of central clearing counterparty and formulates the requirements for supervision and regulation its risks. 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.	
18	(Pitts)	Trading of all standardized OTC derivatives on exchanges etc.	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	By end-2012 at the latest		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

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			repositories. Non-centrally cleared contracts should be subject to higher capital requirements.			<p>Russian Federation in line with standards of international law. 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 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.</p>
V. Addressing cross-border resolutions and systemically important financial institutions						
19	(Pitts)	Consistent, consolidated supervision and regulation of SIFs	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 the short-term perspective, an especially important task in solving the issue of preventing the bankruptcy of large banks is an elaboration of

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20	(Pitts)	Development of resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future	We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, liquidity, and other prudential requirements.	October 2010		arrangements for systemically important banks to devise risk mitigation plans (downsizing) and emergency financing plans (in market stress environment) within the framework of their business continuity plans, and to ensure their review on an annual basis and submission to the Bank of Russia. These plans are aimed at ensuring uninterrupted operations without the state's support in case of a crisis, therefore they must stipulate a scenario of emergency liquidity replenishment or the termination of activities (if business cannot be continued).
VI. Strengthening adherence to international supervisory and regulatory standards.						
21	(Lon)	Adherence to international prudential regulatory and supervisory standards	We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas. We are committed to strengthened adherence to international prudential regulatory and supervisory standards.	Ongoing		
22	(Lon)	Periodic peer reviews	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, using among other evidence IMF / World Bank FSAP reports.	Ongoing	Russia on a regular basis is assessed by the IMF-World Bank Financial Sector Assessment Programme (FSAP). The latest assessment was conducted in 2007-2008 and included the assessment of compliance of the Russian banking regulation and supervision system with the Basel Committee's 2006 Core Principles for Effective Banking Supervision. As a result of the assessment, IMF-World Bank mission 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 should be upgraded.	These problems are to be resolved in the course of joint work of the Finance Ministry and the Bank of Russia on the draft amendments to the Federal Law on Banks and Banking Activities and the Federal Law on the Central Bank of the Russian Federation (Bank of Russia), designed to specify the major provisions of these laws dealing with consolidated supervision and the requirements for credit institutions, banking groups and bank holdings to disclose information about their activities to interested users.

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					<p>This particularly applies to consolidated supervision, an area where the Russian approaches were not quite in accord with the internationally accepted standards.</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>More detailed information on the preparation of legislative amendments see in clause 1 of Section I of this table.</p> <p>Federal Law № 208-FZ dated 27.07.2010 on Consolidated Financial Reporting came into force on 10, August 2010. According to this law a credit institution 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>
23	(WAP)	Undertaking of FSAP	All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries’ national regulatory systems.	Ongoing	<p>Russia is involved in the initiative to raise adherence to international information exchange and co-operation standards in the financial and regulatory area launched by the FSB in February 2010.</p>	<p>The Russian Federation is being undergone a Stability Assessment under the IMF’s FSAP in March-April 2011. This update assessment will allow evaluating the lessons learnt from the recent crisis and the policy response’s adequacy of the Russian financial authorities.</p>

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24	(FSF 2008)	Additional steps to check the implementation of int'l guidance	V.11 National supervisors will, as part of their regular supervision, take additional steps to check the implementation of guidance issued by international committees.	Ongoing		
VII. Other issues						
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision						
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	The Bank of Russia participates in the work of the Basel Committee's Macroprudential Supervision Working Group.	
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	<p>Article 57 of the Federal Law on the Central Bank of the Russian Federation (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.</p> <p>In addition, to fulfil its functions, the Bank of Russia has the right, 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.</p> <p>The Bank of Russia collects all information about credit institutions necessary to detect</p>	<p>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:</p> <ul style="list-style-type: none"> - to work out and introduce new reporting forms, such as an interest rate risk 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. <p>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</p>

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					and size up problems and potential risk for the banking system and groups of banks (especially systemically important banks) and regional information.	of Russia, requires legislative background. It 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 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. More detailed information on legal amendments preparation see in clause 1 of Section I of this table.
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		
28	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macroprudential (system-wide) level. On leverage ratios for	End-2009 and ongoing	The Bank of Russia constantly monitors capital adequacy at the level of a single credit institution as well as the banking system as a whole.	The Bank of Russia plans to introduce the leverage ratio (equity capital to total assets and off-balance-sheet positions not weighted by risk). See clause 5 for proposals to introduce an additional ratio, the leverage ratio.

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			banks, work by the BCBS to supplement the risk based capital requirement with a simple, non-risk based leverage measure is welcome. Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.			
29	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing		
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		
31	(FSF 2008)	Supervisory communication with firms' boards and senior management	V.2 Supervisors and regulators should formally communicate to firms' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action. Those supervisors who do not already do so should adopt this practice.	Ongoing	The Finance authorities in Russia pay high attention to the maintenance of an active dialogue (permanent contacts) with the management of credit institutions. Such contacts take place in the course of off-site supervision, when the Bank of Russia: <ul style="list-style-type: none"> - notifies the management of credit institutions on a quarterly basis about the classification group they are assigned to in line with Bank of Russia Ordinance No. 2005-U of April 30, 2008, - informs banks about the shortcomings that were taken into consideration in assigning the classification (credit institutions are recommended to make this information known to the members of their board of directors (supervisory board)), - sends written recommendations on 	The authorities intend to continue moving in this direction. The passage of laws that will ensure that members of the executive bodies and boards of directors (supervisory boards) of credit institutions perform their functions with due diligence and competently, especially in regard to risk management, and the implementation of Bank of Russia powers to regulate the risk management systems in credit institutions, setting specific requirements for these systems and working together with the executive bodies of credit institutions, will facilitate the implementation of the recommendation discussed in this column (see also information to

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					<p>ways to eliminate these shortcomings and holds meetings with bank managers, as well as in the course of onsite inspections (when preliminary inspection results are discussed and when the final inspection report is considered along with the objections raised by credit institutions).</p> <p>The frequency of contacts with the management of credit institutions depends on the degree of financial soundness of credit institutions, the gravity of the problems detected in them and the level of risk they have taken. Contacts with the management of credit institutions widened when the Bank of Russia introduced the curatorship into Russian supervisory practice and began to appoint its authorised representatives to credit institutions.</p>	<p>recommendation 48 (WAP)).</p>
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>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 the central bank or banking supervisory authority of a foreign state to provide it with information or documents received 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.</p>	<p>Some of the legislative restrictions are to be removed in the course of the joint work of the Ministry of Finance and the Bank of Russia on draft amendments to the Federal Law on Banks and Banking Activities and the Federal Law on the Central Bank of the Russian Federation (Bank of Russia) to specify the main provisions on consolidated supervision and requirements on disclosure information by credit institutions, bank groups and banking holdings on their activities. 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 assumed by cross-</p>

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						border credit institutions. See detailed information on the legislative amendments preparation in point 1 of Section I of this table.
Hedge funds						
33	(Lon)	Registration of hedge funds	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.	End-2009	Equity investment trusts and unit investment trusts relevant to hedge funds should be registered and required to disclose appropriate information on an ongoing basis to Russian regulators (FFMS of Russia). Their managers also are licensed by the FFMS of Russia. While hedge funds make a high risk investment, their shares can be purchased only by qualified investors.	
34	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009		
35	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing		
36	(FSF 2008)	Guidance on the management of exposures	II.17 Supervisors will strengthen their existing guidance on the	Ongoing		

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		to leveraged counterparties	management of exposures to leveraged counterparties			
Credit rating agencies						
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.	
38	(Lon)	CRA practices and procedures etc.	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. 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. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009		
39	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	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		
40	(FSF 2008)	Review of roles of ratings in regulations and supervisory rules	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	Ongoing		

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			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.			
Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	At present, the Bank of Russia is a member of five general colleges exercising supervision of cross-border credit institutions organised by supervisory authorities exercising control over the activities of parent banks (Commerzbank Group, Deutsche Bank Group, Raiffeisenbank Group, VTB Bank (Austria), OTP Group, Bank of China). Supervisory college is established to exercise control over the VTB Bank. This supervisory college consists of oversight bodies representatives from Austria, Armenia, Belorussia, Ukraine, Cyprus, Germany and France. It is supposed to hold meetings of this supervisory college every year.	The Establishment of a supervisory college for one more systemically important banking group is under consideration.
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 the central bank or banking supervisory authority of a foreign state to provide it with information or documents received 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	Some of the legislative restrictions are to be removed in the course of the joint work of the Ministry of Finance and the Bank of Russia on the amendments to the Federal Law on Banks and Banking Activities and the Federal Law on the Central Bank of the Russian Federation (Bank of Russia) to specify the main provisions on consolidated supervision and requirements on disclosure information by credit institutions, banking group and bank holdings on their activities. These amendments stipulate, among other things, that the supervisory authorities may be provided, on the basis of confidentiality,

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					<p>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.</p>	<p>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 assumed by cross-border credit institutions.</p> <p>See detailed information on the legislative amendments preparation in clause 1 of Section I of this table.</p>
Crisis management						
43	(Lon)	Implementation of FSF principles for cross-border crisis management	To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	Immediate		
44	(Pitts)	Development of contingency and resolution plans by SIFIs and the establishment of crisis management groups etc.	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress.	End-2010	The Bank of Russia recommended to systemically important credit institutions to adopt contingency plans in accordance with the cross-border crisis management regulation approaches.	

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			management.		and capital planning. This work is being carried out as part of the effort to implement Basel II in Russia.	<p>companies, including risk management and internal controls.</p> <p>As a part of implementation of Principle 7 “Risk Management” of the Core Principles for Effective Banking Supervision the Bank of Russia believes that the following amendments should be made to the banking legislation:</p> <p>1) the Federal Law on Banks and Banking Activities should be amended to ensure that the board of directors (supervisory board) perform their functions with due diligence and soundness, especially with regard to risk management, and that competent and independent directors participate in decision-making on strategically important questions and questions requiring the prevention of a conflict of interests;</p> <p>2) the Federal Law on the Central Bank of the Russian Federation (Bank of Russia) should be amended to give the Bank of Russia the powers to regulate the risk management systems in credit institutions, set requirements for the risk management systems in credit institutions and take action in the event of non-compliance with these requirements.</p> <p>These amendments are supposed to create conditions for the development of reliable risk management systems in credit institutions and allow the Bank of Russia to detect flaws in these systems at earlier stages and prevent situations that may endanger the legitimate interests of credit institutions’ depositors</p>
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						and creditors.
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 results of the crisis. Stress testing results are widely used in supervisory practice.</p> <p>The Bank of Russia has developed a macroeconomic model of the Russian banking sector. Now this model is under testing and it is basically to be put into operation by the end of 2010 for the purpose of obtaining the necessary estimates for various economic development scenarios.</p>	The Bank of Russia plans to continue the upgrade of the macroeconomic stress-testing approach.
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		
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		

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51	(Lon)	Improvement in the risk management of securitisation	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.	By 2010		
52	(Pitts)	Retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitisation sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing		
53	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	<p>In 2009, the Bank of Russia reviewed the amount of information the credit institutions and banking groups are required to disclose. Beginning from the report for 2008, credit institutions must disclose their balance sheet, income statement, cash flow statement, capital adequacy report and the amount of loss provisions made for problem loans and other assets. They must also disclose information about the required ratios. The parent credit institutions of banking (consolidated) groups are required to disclose their consolidated balance sheet and consolidated income statement, information about the membership of the banking (consolidated) group, equity capital adequacy and loss provisions made for problem loans and other assets. These reports are disclosed by credit institutions along with the auditor's report on their credibility.</p> <p>These procedures conform to IFRS, by and large, although full compliance with IFRS information disclosure requirements requires changes in legislation.</p> <p>To resolve this problem the Federal Law № 208-FZ on the Consolidated Financial Reporting was adopted and came into force on August, 10th, 2010. The Law establishes the responsibility for the credit institutions to compile, submit and publish the consolidated</p>	<p>Introducing requirements on disclosure of information on risks and their management by credit institutions and bank groups (Pillar 3 "Market Discipline" of Basel II) on the legislative level is foreseen in the Federal Law draft On Amendments to the Federal Law on Banks and Banking Activities and Federal Law on the Central Bank of the Russian Federation (Bank of Russia) to specify the main provisions on consolidated supervision and requirements on disclosure information by credit institutions, banking group and banking holdings on their activities.</p> <p>See detailed information on the legislative amendments preparation in clause 1 of Section I of this table.</p>

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					financial reporting compiled in accordance with IFRS. The Bank of Russia is also making efforts to implement the recommendations of the Basel II Pillar 3 Market Discipline, which also require legislative changes.	
54	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing		
Others						
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	Termination of credit facilities with the maturity longer than 3 months. The Bank of Russia has set the expiration date for non-collateralized loans to commercial banks – 01.01.2011. More than 40 % of the volume of subordinate loans provided to commercial banks during the crisis have been repaid before the appointed time.	Provision of timely information to banks on the withdrawal of extraordinary credit facilities. Limitation of the range of assets eligible as collateral for credit operations of the Bank of Russia including the elimination of non-tradable assets.

Origin of recommendations:

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
 Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
 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)