



MIFC Roadmap: Making Progress

January 2014

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Highlights

The International Financial Center and Investment Climate Change Roadmap was approved by the Russian Federation Government Resolution 1012-R of 19 June 2013

The Roadmap is geared to

- boost the competitive edge of the Russian financial market by forming a stable and flexible regulatory environment to stimulate rollout and development of up-to-date financial products and services
- progress to a higher level of corporate governance, ensuring the protection of investors' title and interests
- remove the price discount on Russian financial assets vs. other emerging markets
- make the national financial system more robust in the long term

The Roadmap envisions the creation of a special marketing vehicle for the promotion of Moscow as an international financial center abroad. In October-December 2013, a number of steps were taken to establish this vehicle in the form of a non-profit partnership.

Participants and Methods

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- Ministry of Finance
 - MIFC Taskforce
 - The Bank of Russia
 - Ministry for Economic Development
 - Ministry of Justice
 - Labor Ministry
 - Health Ministry
 - Education and Science Ministry
 - Foreign Ministry
 - Ministry of the Interior
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- Higher Court of Justice
 - Supreme Arbitration Court
 - Moscow City Hall
 - Moscow Exchange
 - FFMS
 - Federal Tax Authority
 - Russian Federal Consumer Rights Protection Service
 - Federal Anti-Monopoly Service
 - Federal Migration Service
 - Treasury
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All initiatives are drafted and implemented in a joint community effort with investors and experts


The Roadmap envisions

- over 50 new laws
- regulatory framework improvement
- developing industry standards to implement best practices
- harmonization of Russian and international rules and regulations
- social security measures

Financial Markets Regulation, Control And Oversight System reform (1/4)

In progress

Done

2013	 January 2014 Status	2014	2015
Regulation system reform <ul style="list-style-type: none"> - create a CB-based financial markets megaregulator - lay the groundwork for prudential supervision in the financial market - organize and expand the mandate of SROs as part of the new regulatory system 	<ul style="list-style-type: none"> • Megaregulator in place and active since 1 September 2013. The concept of introducing prudential oversight in the Compulsory Pension System and the Non-state Pension Market has been introduced to the Government • Financial Market SRO Act posted for public debate on regulation.gov.ru 		
Non-state pension funds regulation reform <ul style="list-style-type: none"> - implement compulsory standards of investment results disclosure - implement prudential supervision of NPFs - Introduce pension savings security mechanisms 	<ul style="list-style-type: none"> • Passed: Non-state Pension System regulation acts, including non-state pension fund corporatization measures and pension savings guarantee system (Acts 410-FZ and 422-FZ of 28.12.2013) • Introduced to the Government: Drafts of standard pension scheme implementation bills • Prudential oversight implementation plan in progress 		
Draft commodity market development strategies	<ul style="list-style-type: none"> • The concept if an act regulating the Bills of Lading and Warehouse Receipts market is being drafted 		
Introduce compensation and guarantee mechanisms for financial market participants	<ul style="list-style-type: none"> • Passed: Compulsory Pension Insurance Guarantees Act (422-FZ of 28.12.2013) • Passed: Act, stipulating the procedure for transfer of contractual obligations from one insurer to another (except mutual insurance societies) (234-FZ of 23.07.2013) 		



Financial Markets Regulation, Control And Oversight System reform (2/4)

In progress

Done






2013	✓ January 2014 Status	2014	2015
Ascendancy to IOSCO Memorandum	<ul style="list-style-type: none"> Banking Act and Central Bank Act have been amended with a view to achieve IOSCO Memorandum compliance 		
Banking system stability measures. Increase the Bank of Russia's powers to appoint authorized representatives at banks	<ul style="list-style-type: none"> CB powers to appoint authorized representatives have been extended by Act 184-FZ, adopted and enacted. The CB is vested with power to appoint representatives to banks with upwards of RUB 50bn in assets and a minimum of RUB 10bn in deposits raised from private individuals 		
Implementation of international approaches to banking regulation (Basel II, Basel II.5, Basel III). Bank holdings oversight reform. Deadline: 2018	<ul style="list-style-type: none"> Basel II statutory base has been stipulated in Act 146-FZ (passed) Pillars 2 and 3 of Basel II are due for enactment 01.01.2014. Preparation of statutory base for the implementation of Basel III is underway 		
Improved access for capital to the financial (banking) services market. Organize a system of requirements to qualification, business reputation and financial standing	<ul style="list-style-type: none"> In addition to the recently adopted Act 146-FZ, the Bank of Russia has issued regulations control over major bank stake acquisition and qualification/experience requirements for bank executives 		



Financial Markets Regulation, Control And Oversight System reform (3/4)

In progress

Done


2013	 January 2014 Status	2014	2015
<p>Unify bank stability assessment requirements and deposit insurance participation requirements based on international supervisory principles</p>	<ul style="list-style-type: none"> Passed: Act 335-FZ of 02.12.2013, unifying oversight requirements in deposit insurance on the basis of international oversight principles 		
<p>Introduce motivated opinion in banking and the financial market in general. Improve bank holdings supervision</p>	<ul style="list-style-type: none"> The Bank of Russia has issued regulations in addition to Act 146-FZ, adopted 02.07.2013 with clarified 'bank group' and 'bank holding' definitions. Bank of Russia regulations enacted 01.01.2014 		
<p>Harmonize financial regulation in the Customs Union and Common Economic Space</p>	<ul style="list-style-type: none"> Currently passing approvals: Draft Agreements on information exchange, including confidential, between parties to the Free Movement of Capital in Financial Markets Treaty; on Common Economic Space Financial Markets requirements. Key points to be reviewed by the Eurasian Economic Commission Council in 2014. 		
<p>Improve financial literacy based on G20, Financial Stability Council and Organization for Economic Cooperation principles. Implement the Minfin/World Bank 'Financial Education and Financial Literacy' Project</p>	<ul style="list-style-type: none"> The Minfin/World Bank Financial Education and Financial Literacy Project is continuing. Good Ideas Fund (goodideasfund.ru) has been established as part of the project. 		



Financial Markets Regulation, Control And Oversight System reform (4/4)

In progress

Done







2013	 January 2014 Status	2014	2015
Streamline the public offering procedure	<ul style="list-style-type: none"> • FFMS has approved IPO and prospectus registration standards, and has issued a series of other regulations in follow-up to Act 282-FZ, passed on 29.12.2012 		
Differentiate sanctions for administrative offences in the financial market	<ul style="list-style-type: none"> • Passed: Act 375-FZ of 21.12.2013, improving control over microfinance, credit unions and pawnbrokers. • (earlier) Passed: Act 249-FZ, authorizing the Bank of Russia to investigate financial companies' administrative violations 		
Boost consumer rights protection in financial services	<ul style="list-style-type: none"> • Passed: Consumer Credit Act 353-FZ of 21.12.2013 and secondary Act 363-FZ 		
Implement facsimile signatures for the visually handicapped	<ul style="list-style-type: none"> • The bill has been introduced by the Government to the State Duma 		



Improved Access to Financial Instruments and Resources (1/2)

In progress

Done


2013	 January 2014 Status	2014	2015
<p>Introduce special purpose accounts for private investment</p>	<ul style="list-style-type: none"> Passed: Act 379-FZ of 21.12.2013 (amendments to the Tax Code and the Securities Market Act) introducing private investment accounts 		
<p>Expand the list of instruments eligible for pension savings and pension reserves investment</p>	<ul style="list-style-type: none"> In addition to previous decisions, Black Sea Trade and Development Bank has been listed among international financial organizations eligible for pension fund investment (Government Decree 547) 		
<p>Introduce fixed term deposits</p>	<ul style="list-style-type: none"> The Bill has been deemed inadvisable, drafting terminated 		
<p>Improve legal regulation of credit reference agencies</p>	<ul style="list-style-type: none"> The Credit Reference Bill has been drafted and introduced to the Government 		
<p>Develop regulatory framework for stock exchange share investment funds</p>	<ul style="list-style-type: none"> Standard Rules of Management for Stock Exchange Share Investment Funds (Government Decree 600) have been passed, Moscow Exchange has commenced trading in several instruments 		



Improved Access to Financial Instruments and Resources (2/2)

In progress

Done

2013	 January 2014 Status	2014	2015
Develop debt market instruments, including securitization and infrastructure bonds	<ul style="list-style-type: none"> Passed: Act 379-FZ of 21.12.2013, regulating financial asset securitization 		
Stimulate wire transfers <ul style="list-style-type: none"> spread bank card settlement limit cash settlement between companies and private individuals 	<ul style="list-style-type: none"> Under regulatory impact review: bill introducing compulsory acceptance of bank card payment for a list of shops and service companies Approved by the Bank of Russia and under regulatory impact review: draft amendments to Article 861 part 2 of the Civil Code, clarifying cash payment procedures for private individuals 		
Develop regulatory framework for mortgage-backed securities	<ul style="list-style-type: none"> Drafted by Bank of Russia Financial Markets Service: bill introducing amended disclosure standards for issued securities 		
Improve legal regulation of bullion bank transactions	<ul style="list-style-type: none"> Under review prior to introduction to the Government: bills drafted by Minfin 		
Improve regulatory framework for stock exchange bullion trading	<ul style="list-style-type: none"> The Bank of Russia has eliminated Minfin pre-approval of bullion operations license for banks (Directive 3029-U), following a Government decision 		



Financial Markets Infrastructure development

In progress

Done

2013	✓ January 2014 Status	2014	2015
Set the Russian stock exchange infrastructure on standby to process privatization deals. Run privatization	<ul style="list-style-type: none"> • Priority placement on Russian trading floors during privatization is stipulated in the President and Government's Task Assignments. ALROSA has placed a 16% stake on the Moscow Exchange, of which 7% had been owned by the Federal government • Drafted: Government Decree on the use of brokers for the sale of Open Joint Stock Companies shares owned by the state and municipalities on the stock exchange 		
Develop Central Depository	<ul style="list-style-type: none"> • Central Depository Nominee Account Opening and Operation procedure has been approved (FFMS Regulation 13-65/pz-n) 		
Introduce T+N settlement at the Moscow Exchange	<ul style="list-style-type: none"> • Implemented in full 02.09.13 		
<ul style="list-style-type: none"> • Implement international standards in Russian financial market infrastructure practices. • Implement Principles for Financial Market Infrastructures by the Committee on Payment and Settlement Systems 	<ul style="list-style-type: none"> • The Bank of Russia has amended the Bank of Russia Payment System Regulation through Directive 3079-U of 25.10.2013 to improve payment service. Amendments include Rouble cash transfer between Russian and foreign banks via the Bank of Russia Payment System • Slated for roll-out 30.06.2014: bank instruction (ED107), with SWIFT-compatible payment detail fields • Statutory amendments under review: 14 Financial Market Infrastructure Principles 		
Develop Repository	<ul style="list-style-type: none"> • The Repository regulation bill is being drafted 		

IV

Corporate Governance and Enforcement, Investor Rights Protection (1/3)

In progress

Done

2013	✓ January 2014 Status	2014	2015
Introduce and regulate public and non-public entities	<ul style="list-style-type: none"> Covered by Article 4 of Part 1 of the Civil Code (bill №47538-6/2, in preparation for the second reading) 		
Improve regulation of affiliation, corporate control, controller's liability	<ul style="list-style-type: none"> Regulation of affiliation is covered by amendments to bill №47538-6/2, passed in the first reading 		
Introduce Bond Holder Meetings	<ul style="list-style-type: none"> Implemented with the passing of amendments to the Securities Market Act (210-FZ) 		
Improve regulation of mandatory offer, buyout and related procedures	<ul style="list-style-type: none"> The bill (amendments to the Joint-Stock Companies Act etc.) has been returned to Minfin with revisions by the Government 		
Simplify issuer information access for shareholders and investors	<ul style="list-style-type: none"> The Bank of Russia Financial Markets Service has stated the necessity of a Bank of Russia regulation on extra disclosure conditions 		
Protect investor rights during reorganization and related valuation procedures	<ul style="list-style-type: none"> Drafting of the bill in progress 		
Develop regulation of damages compensation and counterparty liability	<ul style="list-style-type: none"> Bill №394587-5 is being considered by the State Duma. Amendments for the second reading are in progress 		
Improve regulation of major transactions and interested party transactions	<ul style="list-style-type: none"> The bill has passed public debates, due for approval by Federal executive bodies 		

2013	✓ January 2014 Status	2014	2015
Adopt Corporate Governance Code	<ul style="list-style-type: none"> The new edition of the Code has been reviewed by experts and amended by the Bank of Russia Financial Markets Service 		
Improve listing/delisting rules	<ul style="list-style-type: none"> FFMS has issued a Securities Listing Procedure Regulation (13-62/pz-n) 		
Make Shareholders Agreement a viable practice	<ul style="list-style-type: none"> The Joint-Stock Company Act amendments bill has passed public debates, due for approval by Federal executive bodies 		
Reform regulation of independent directors and the Board of Directors	<ul style="list-style-type: none"> Drafting of the bill in progress 		
Increase transparency of insurance companies	<ul style="list-style-type: none"> Act 234-FZ has been passed, establishing disclosure requirements for insurers, internal control and audit and introducing a special depository for asset protection 		
Introduce statutory norms of electronic communication between shareholders and the joint-stock company	<ul style="list-style-type: none"> Amendment to the Joint-Stock Companies Act (Act 282-FZ), introducing online GSM info disclosure, was enacted 01.01.2014 		
Effective functioning of JSC internal control	<ul style="list-style-type: none"> Drafting of the bill in progress 		

2013	✓ January 2014 Status	2014	2015
Make financial report fraud a criminal offense	<ul style="list-style-type: none"> The bill has been drafted and introduced to the Government 		
Assign bank recovery functions to Deposit Insurance Agency	<ul style="list-style-type: none"> The bill has been drafted and is under review by Ministries 		
Introduce mandatory public disclosure of professional qualifications and work experience of bank executives	<ul style="list-style-type: none"> Amendments to the Banks and Banking Act have been introduced by the Government to the State Duma 		
Develop private arbitration	<ul style="list-style-type: none"> The Ministry of Justice has drafted measures to develop private arbitration law 		
Create the Financial Ombudsman institution	<ul style="list-style-type: none"> The bills have been introduced to the Government 		
Define recovery procedures for private debt	<ul style="list-style-type: none"> The bill establishing recovery procedures for private debt is ready for the second State Duma reading (№105976-6) and will be forwarded for approval to the Supreme Court due to amendments in Constitution assigning economic disputes of this type to the SC 		

2013	✓ January 2014 Status	2014	2015
Equal distribution of profit tax burden for different types of private investment	<ul style="list-style-type: none"> Passed: Act 420-FZ of 28.12.2013 (amendments to the Tax Code and the Securities Market Act) 		
Improve tax treatment of long-term life insurance policy holders and insurers, non-state pension funds, stimulate long-term private investment	<ul style="list-style-type: none"> Draft Proposals for Tax Policy Highlights 2015-17 are in progress 		
Reform pricing and loss calculation rules for securities and financial derivatives	<ul style="list-style-type: none"> Passed: Act 420-FZ of 28.12.2013 (amendments to the Tax Code and the Securities Market Act) 		
Reform coupon expense accounting rules for corporate profit tax purposes	<ul style="list-style-type: none"> Draft Proposals for Tax Policy Highlights 2015-17 are in progress 		
Compile a VAT-exemption list for services by securities market participants	<ul style="list-style-type: none"> Done. Exemptions listed in Government Decree 761 		
Define taxable and tax-free securities trading volumes to improve VAT set-off procedure	<ul style="list-style-type: none"> Passed: Act 420-FZ of 28.12.2013 (amendments to the Tax Code and the Securities Market Act) 		
Improve tax administration <ul style="list-style-type: none"> introduce rules whereby economic substance determines the application of tax laws to transaction results introduce tax pre-approval 	<ul style="list-style-type: none"> Draft Proposals for Tax Policy Highlights 2015-17 are in progress 		

2013	✓ January 2014 Status	2014	2015
Improve REPO taxation	<ul style="list-style-type: none"> Passed: Act 420-FZ of 28.12.2013 (amendments to the Tax Code and the Securities Market Act) 		
Improve taxation of trust management and collective investment market participants	<ul style="list-style-type: none"> Passed: Act 420-FZ of 28.12.2013 (amendments to the Tax Code and the Securities Market Act) 		
Address the withholding tax treatment and performance of tax agent obligations by Russian entities in regard to coupon payments on Eurobonds issued on or after 01.01.2014	<ul style="list-style-type: none"> Implemented with the passing of Act 215-FZ of 23.07.2013 		
Introduce recognition of expenses distributed in holding companies	<ul style="list-style-type: none"> Draft Proposals for Tax Policy Highlights 2015-17 are in progress 		
Formulate a standpoint on FATCA (Foreign Account Tax Compliance Act) adopted in the USA	<ul style="list-style-type: none"> Consultations are underway for the signing of a Government Treaty with the USA (next round of negotiations due 27-28.01.14) 		
Clarify tax agent procedures in dividend taxation	<ul style="list-style-type: none"> Implemented with the passing of Act 306-FZ of 02.11.2013 		
Reform tax treatment of coupon payments in connection with the opening of Central Depository accounts for foreign entities	<ul style="list-style-type: none"> Implemented with the passing of Act 306-FZ 		

2013	✓ January 2014 Status	2014	2015
Develop the transport network	<ul style="list-style-type: none"> Public Transport Routes are in the process of modernization, new quality standards and a unified fare payment system are being implemented. Transfer to Eco-fuel: statutory limit in place for gasoline and diesel fuel to be minimum Emission Grade 4, free parking for electric cars Multilanguage transport navigation concept in progress, to cover 100% of the city by 2016. VeloBike program has been launched (131 bicycle rental stations) 		
Increase the number of pedestrian zones	<ul style="list-style-type: none"> In 2013, a total of 34 Pedestrian Zones opened, over 30 km in length 		
Create multi-language street and public transport navigation	<ul style="list-style-type: none"> Joint Moscow City Navigation concept is in progress, linked to City Transport Navigation concept. 10 Tourist Touchscreen Info Points installed in selected hotels 		
Increase the number of healthcare organizations available to foreigners	<ul style="list-style-type: none"> A study of the possibility of adapting Russian healthcare standards and rules to international standards has been completed (result: negative). Moscow Government continues to sign leading international medical insurance companies to cover Moscow clinics 		

Moscow Agglomeration: urban environment and non-financial regulation (2/2)

In progress

Done

2013	✓ January 2014 Status	2014	2015
Simplify visa procedures for foreign scientists, teachers, doctors and artists	<ul style="list-style-type: none"> Existing procedure allows same-day issue of business visa. Simplified work permit procedure is under review by the Consulate Department of the Foreign Ministry 		
Develop Russian language programs for foreign finance professionals	<ul style="list-style-type: none"> Ministry of Education and Science has accumulated proposals for training program requirements, set statutory basis for drafting the requirements, established a working group of experts to develop programs 		
Make healthcare more investor attractive	<ul style="list-style-type: none"> Drafted: regional bill to facilitate Moscow City participation in public-private partnerships to develop healthcare and medicine. The City stake in projects is to be set at a minimum of 25% plus 1 share A concession agreement has been signed with ZAO European Medical Center to renovate and manage State Hospital 63 		
Set up a multilanguage web portal on education in Moscow	<ul style="list-style-type: none"> Portal slated for launch in Q4 2014, based on Education in Moscow website (www.mosedu.ru) 		