



MIFC Roadmap: Making Progress

April 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 January-March 2014, a number of steps were taken to establish this vehicle in the form of a non-profit partnership.

Participants and Methods

- 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
- 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

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)


Ongoing
Done

2013	✓ April 2014 Status	2014	2015
<p>Regulation system reform</p> <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 active since 1 September 2013. • Drafted: Bank of Russia Directive on unified brokerage rules for client-funded trades • Implementation in progress: Compulsory Pension System and Non-state Pension Market Prudential oversight • Financial Market SRO Act passed public debate, under review by the Ministry of Justice 		
<p>Non-state pension funds regulation reform</p> <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 NPF corporatization measures and pension savings guarantees (Acts 410-FZ and 422-FZ of 28.12.2013) • Implementation in progress: draft timeline for Act 410-FZ related regulations • Prepared for 2nd reading at the State Duma: Tax Code amendments (bill 359535-6) tied to Act 422-FZ • Deemed ineffective: standard pension scheme implementation bills • Implementation in progress: Prudential oversight 		
<p>Draft commodity market development strategies</p>	<ul style="list-style-type: none"> • Draft in progress: act on Bills of Lading and Warehouse Receipts market regulation 		
<p>Introduce compensation and guarantee mechanisms for financial market participants</p>	<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)

Ongoing






Done

2013	 April 2014 Status	2014	2015
<p>Ascendancy to IOSCO Memorandum</p>	<ul style="list-style-type: none"> Laws will be re-examined for IOSCO compliance due to substantial change since previous check in 2006-08 Banking Act and Central Bank Act have been amended with a view to achieve IOSCO Memorandum compliance 		
<p>Banking system stability measures. Increase the Bank of Russia's powers to appoint authorized representatives at banks</p>	<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 		
<p>Implementation of international approaches to banking regulation (Basel II, Basel II.5, Basel III). Bank holdings oversight reform. <i>Deadline: 2018</i></p>	<ul style="list-style-type: none"> Drafted and due for enactment: Bank of Russia Basel II (oversight process) and Basel III regulations, including internal capital adequacy procedures; draft bill on short-term liquidity calculation procedure (in 2014: for monitoring only, enacted on 01.01.2015 as norm) 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 		
<p>Improved access for capital to the financial (banking) services market. Organize a system of requirements to qualification, business reputation and financial standing</p>	<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 Systemreform (3/4)

Ongoing


Done

2013	 April 2014 Status	2014	2015
Unify bank stability assessment requirements and deposit insurance participation requirements based on international supervisory principles	<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 		
Introduce motivated opinion in banking and the financial market in general. Improve bank holdings supervision	<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 Drafted: Bank of Russia Directive on alleged association criteria for banks Draft in progress: Bank of Russia regulation on consolidated reporting 		
Harmonize financial regulation in the Customs Union and Common Economic Space	<ul style="list-style-type: none"> Draft Agreements approved by Eurasian Economic Commission Council: on information exchange, including confidential, between parties to the Free Movement of Capital in Financial Markets Treaty; on Common Economic Space Financial Markets requirements. EECC has called on Customs Union and CES countries to finalize pre-joining formalities by 01.05.2014 		
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	<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. 		

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

Ongoing


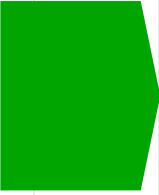



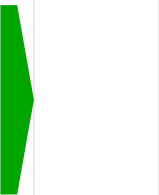
Done

2013	 April 2014 Status	2014	2015
<p>Streamline the public offering procedure</p>	<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 		
<p>Differentiate sanctions for administrative offences in the financial market</p>	<ul style="list-style-type: none"> Issued: Constitutional Court Decree 4-P of 25.02.2014 on trial procedure for administrative offenses in the financial market Passed: Act 375-FZ of 21.12.2013, improving control over microfinance, credit unions and pawnbrokers. Passed: Act 249-FZ, authorizing the Bank of Russia to investigate financial companies' administrative violations 		
<p>Boost consumer rights protection in financial services</p>	<ul style="list-style-type: none"> Passed: Consumer Credit Act 353-FZ of 21.12.2013 and secondary Act 363-FZ 		
<p>Implement facsimile signatures for the visually handicapped</p>	<ul style="list-style-type: none"> Amendments to Social Security for the Disabled Act and fundamental principles of notaries law (bill #408337-6) passed in the first reading by the State Duma on 25.02.2014 		



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


Ongoing
Done

2013	 April 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"> Drafted: Government Decree listing International Investment Bank among international financial organizations eligible for pension fund investment 		
<p>Introduce fixed term deposits</p>	<ul style="list-style-type: none"> The Bill has been deemed inadvisable, drafting terminated Minfin has drafted amendments to the Civil Code, abolishing savings books and bearer savings certificates, allowing banks to issue savings/deposits certificates without early return 		
<p>Improve legal regulation of credit reference agencies</p>	<ul style="list-style-type: none"> Amendments to the Credit Reference Act (bill #421437-6) passed by the State Duma in the first reading on 12.03.2014 		
<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)

Ongoing
Done

2013	 April 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"> Passed: Act 112-FZ of 05.05.2014, introducing compulsory acceptance of bank card payment for listed shops and services Approved by the Bank of Russia and passed regulatory impact review: draft amendments to Article 861 part 2 of the Civil Code, clarifying cash payment procedures for private individuals. Due for approval by the Ministry of Justice 		
Develop regulatory framework for mortgage-backed securities	<ul style="list-style-type: none"> Drafted by Bank of Russia: bill introducing amended disclosure standards for issued securities 		
Improve legal regulation of bullion bank transactions	<ul style="list-style-type: none"> Introduced to the State Duma: amendments (bills #504864-6 and 460168-6) to statutory regulation of production, processing and turnover of bullions and gems, including tax authority requirements to bullion bank accounts 		
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

Ongoing

Done

2013	✓ April 2014 Status	2014	2015
Set the Russian stock exchange infrastructure on standby to process privatization deals. Run privatization	<ul style="list-style-type: none"> 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 deemed inadvisable and terminated 		
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 issued a Memorandum on implementation of Financial Market Infrastructure Principles in final settlement by major payment systems 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 Stated 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 has been drafted and is under regulatory impact review 		

2013	✓ April 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, passed in the second reading 23.04.14) 		
Improve regulation of affiliation, corporate control, controller's liability	<ul style="list-style-type: none"> Regulation of affiliation is omitted from amendments to bill №47538-6/2 (Civil Code amendments) 		
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 amended and is under approval by federal executive bodies and the Bank of Russia 		
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. However, on 30.07.2013, the Supreme Arbitration Court issued a Decree clarifying prosecution of Board members, rendering the bill obsolete 		
Improve regulation of major transactions and interested party transactions	<ul style="list-style-type: none"> The bill is under regulatory impact review 		

2013	✓ April 2014 Status	2014	2015
Adopt Corporate Governance Code	<ul style="list-style-type: none"> The Corporate Governance Code was approved by the Government (13.02.2014) and the Bank of Russia (21.03.2014) and published. The Bank of Russia has recommended the Code for implementation by listed companies 		
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 Article 32.1 amendments bill has been corrected by Minfin/ Bank of Russia and is under review by ministries 		
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	✓ April 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 reviewed by Ministries and has been introduced to the Government 		
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 (bill #386407-6) were passed the State Duma in the first reading 12.02.2014 		
Develop private arbitration	<ul style="list-style-type: none"> The Arbitration Act has passed regulatory impact review and independent anti-corruption review 		
Create the Financial Ombudsman institution	<ul style="list-style-type: none"> The Financial Ombudsman bill was introduced to the Government and passed 28.04.2014 		
Define recovery procedures for private debt	<ul style="list-style-type: none"> The bill establishing recovery procedures for private debt (№105976-6) is being prepared for the second reading in the State Duma 		

2013	✓ April 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	✓ April 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 have been suspended by the USA Bill on reporting to foreign tax authorities (#506758-6) has been introduced to the State Duma 		
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 		

Moscow Agglomeration: urban environment and non-financial regulation (1/2)

Ongoing

Done

2013	✓ April 2014 Status	2014	2015
Develop the transport network	<ul style="list-style-type: none"> Public Transport Routes Modernization pilot project ready for implementation (Izmailovo-Golyanovo), unifying commercial routes into one service Drafted: Plan to switch 300 Mosgortrans Depot #11 buses to Eco Gas fuel. Moscow City Hall and Mosenergo signed agreement to implement e-mobiles E-mobile parking is free 		
Increase the number of pedestrian zones	<ul style="list-style-type: none"> Under development: pedestrian zones in Zamoskvorechye (Bolshaya Tatarskaya-Bolotnaya Sq) In 2013, a total of 34 Pedestrian Zones opened, totalling over 30 km in length 		
Create multi-language street and public transport navigation	<ul style="list-style-type: none"> Drafted: Joint Moscow City Navigation concept and budget. Ilion Company won the tender for the state contract. Timeline: 5 years, deadline for Central District navigation is set for 2014. 		
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). 		
Simplify visa procedures for foreign scientists, teachers, doctors and artists	<ul style="list-style-type: none"> Existing procedure allows same-day or next-day issue of business visa if the original invitation by the Federal Migration Service is presented 		

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

Ongoing

Done

2013	✓ April 2014 Status	2014	2015
Develop Russian language programs for foreign finance professionals	<ul style="list-style-type: none"> Ministry of Education and Science has drafted a “Russian for Foreign Finance Professionals” training program. The project is under review by the Ministry for Economic Development, the Ministry of Finance and the Bank of Russia 		
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. A concession agreement has been signed with ZAO European Medical Center to renovate and manage State Hospital 63, deadline: 2018 		
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) Draft in progress: Moscow Quality of Education system, including ratings for schools. 		