

RUSSIA

In March 2004 a new stage of administrative reform in Russia was completed. The regulation of banking, insurance and securities markets is now shared between three federal authorities: (a) the Central Bank, which remains unaffected by the reforms; (b) the Federal Insurance Supervision Service, which is a spin-off from the Ministry of Finance; and (c) the newly established Federal Service for Financial Markets, successor to the Federal Securities Market Commission. Each of these institutions monitors compliance, issues and revokes licences and imposes sanctions for breaches in its area of responsibility.

In addition to institutional change, part of the banking, insurance and securities market regulation was substantially amended in both 2003 and 2004. In the area of banking regulation the new law on deposit insurance in Russian banks was introduced on 23 December 2003. Russian banks who wish to continue to accept deposits from natural persons beyond September 2005 need to gain acceptance into a deposit insurance scheme operated by a special state agency and make regular contributions to it. Individual depositors can claim compensation up to 100,000 roubles (approximately US\$3,400) from the scheme if the bank is insolvent or loses its license. The law on the insolvency of credit institutions will bring further change to this area of law when it comes into force in November 2004. It should then become easier to rehabilitate financial credit institutions in crises, while at the same time additional sanctions are imposed on founders and managers causing the bankruptcy of their credit institutions.

Developments in the insurance sector are based on the January 2004 law on the organisation of the insurance industry. This law changed the licensing procedures for insurers and relaxed the restrictions on foreign participation in companies offering personal insurance, compulsory insurance, state property interest insurance and other sectors, but only for companies from EC member states as of 1994. In addition the overall limit on foreign capital in the Russian insurance market was raised from 15% to 25%.

In December 2003 the Federal Securities Market Commission (now Federal Service for Financial Markets) adopted general rules for trade organizers in the securities market (including stock exchanges). As of March 2004 disclosure by major joint

stock companies (including those with registered prospectuses) was tightened and the scope of information to be disclosed extended.

*Tobias Müller-Deku
Freshfields Bruckhaus Deringer*

Banking regulator

Central Bank of the Russian Federation

12 Neglinnaya Street
Moscow
107016
Russian Federation

Tel: + (7) 095 771 9100
Fax: + (7) 095 921 6465
Email: webmaster@cbr.ru
Website: <http://www.cbr.ru>

Contact

Alexey Yu. Simanovskiy (Director of the Banking Regulation and Supervision Department of the Bank of Russia)

Chairman

Sergey M Ignatiev

Governance

The regulatory and supervisory functions of the Bank of Russia, according to the Federal Law "On the Central Bank of the Russian Federation (Bank of Russia)", are discharged through the Banking Supervision Committee (BSC). The committee is chaired by Mr Andrey A Kozlov (first deputy chairman of the Bank of Russia and the Member of the Board of Directors), its members are heads of seven structural units of the Bank of Russia.

Objectives and activities

Under the Federal Law "On the Central Bank of the Russian Federation (Bank of Russia)" (June 27, 2002), the Bank of Russia is responsible for the supervision and regulation of the activities of credit institutions. The main objective of the supervisory and regulatory activities of the Bank of Russia is the development,