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The macroprudential policy framework in Russia

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Abstract

The note discusses the main features of Russia's current macroprudential policy framework. In particular, it describes the Central Bank of the Russian Federation's legal mandate to ensure the stable functioning of the financial markets, explains the inter-agency coordination between Russian authorities, and outlines the functions of National Council on Ensuring Financial Stability as a high-level inter-agency advisory body on financial stability issues, which serves as an effective platform for policy coordination.

The note focuses on the practical aspects of the the central bank's financial stability objectives and powers, detailing the Bank of Russia internal structures and procedures for the formulation and implementation of macroprudential policy, and for communication and transparency issues. The central bank's experience of using macroprudential instruments to curb systemic risks is reviewed, with practical examples of how financial stability issues were addressed via macroprudential policy measures, together with details of the Bank's plans for further macroprudential policy development.

Keywords: macroprudential policy, macroeconomic and financial stability, financial system regulation, macroprudential instruments, systemic risks, banking system

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Before the Global Financial Crisis, the general consensus among regulators was that the prevailing mix of monetary, fiscal and prudential policies would ensure macroeconomic and financial stability. Macroprudential policies were predominantly used by emerging market economies (EMEs), which had taken various ad hoc measures to counter procyclical trends and asset bubbles.

The crisis has demonstrated that developments in the financial system can threaten macroeconomic stability both in advanced and emerging economies, even in the case of low and stable inflation and sound fiscal policy. Financial stability cannot be assured exclusively by a focus on the soundness of individual institutions; it also depends on the complex interactions and interdependencies between institutions and components of the system. As a result, regulators came to appreciate the need for a new approach to the financial system regulation, one that would include a macroprudential perspective.

Many countries have started to adopt macroprudential policies in recent years to deal with macro-financial risks. Nevertheless, macroprudential policy is still a relatively new policy field and many issues remain unresolved at both the national and global levels.

In the past few decades, the Central Bank of the Russian Federation (CBR) has also gained experience in using macroprudential instruments to counter systemic risks. Drawing lessons from the Global Financial Crisis, the Russian authorities have incorporated financial stability as an objective of the CBR and defined the institutional setup for macroprudential policy.

This note elaborates on the Russian experience of using macroprudential policy tools to curb systemic risks and setting up a systemic approach to macroprudential policy.

Legal mandate

The foundation for the current financial stability framework in Russia was laid in 2013 by substantial amendments to the 2002 Federal Law No. 86-FZ "On the Central Bank of the Russian Federation (Bank of Russia)". In September 2013, the Federal Service for Financial Markets (FSFM) was merged into the CBR, with the latter becoming a mega-regulator empowered to regulate, control and supervise the Russian financial market.

The amended law also incorporated a formal financial stability mandate, as the CBR was tasked with ensuring the stability of the financial markets. To this end, the law authorises the CBR to monitor the state of the Russian financial markets, including for the purpose of detecting situations that might endanger the Federation's financial stability. To prevent such situations, the CBR is authorised to take measures with the aim of reducing any threats to financial stability. The law also stipulates that the Bank of Russia publishes its Financial Stability Review at least twice a year.

Inter-agency coordination

In July 2013, the Russian government set up the National Council on Ensuring Financial Stability (FSC). Chaired by the Minister of Finance, the FSC was created primarily as a high-level inter-agency advisory body on financial stability issues and served as an effective platform for inter-agency coordination. It was entitled to make non-binding recommendations, albeit not disclosed publicly, to government bodies and CBR on systemic risk issues and mitigating measures.

In February 2015, following the recommendations of the Financial Stability Board Peer Review, the government issued a revised decree to strengthen the FSC, especially in terms of its membership and functioning. The FSC has since become a high-level inter-agency committee, chaired by the First Deputy Prime Minister and comprising the CBR's Governor, the Ministers of Economic Development and Finance, and the General Director of the Deposit Insurance Agency, as well as senior officials from these agencies including Deputy Governors of the CBR responsible for financial stability, banking supervision, and non-bank financial institutions and market oversight. A new secretariat was created to support the FSC's work, with responsibility for preparation of FSC meetings, including the distribution of information/documents to be discussed at the FSC meetings. It is staffed by appointees from the CBR, the First Deputy Prime Minister's Office and the Ministry of Finance. The FSC now makes its recommendations (not disclosed publicly) to the Ministry of Economic Development, the Ministry of Finance and the CBR on a comply-or-explain basis. This mechanism serves primarily as a means to monitor progress on action taken by the relevant agencies.

Discussions at the FSC cover a wide range of inter-agency macro-financial issues that may affect financial stability, while recommendations on mitigating measures do not typically involve macroprudential policy. Examples of issues discussed at the FSC include external corporate debt and associated refinancing risks, the volatility of capital flows, a review of the regulatory perimeter (prudential regulation of leasing activities) and legislative initiatives (ie regarding oversight of CCPs and the bankruptcy regime).

The FSC is not engaged in making decisions on matters which are within the CBR's direct authority. The FSC usually discusses issues which lie within the overlap between the mandates of the federal executive authorities and the CBR. As the CBR is not empowered to initiate legislation, the FSC is efficiently used as a means of aligning the positions of the authorities concerned before an authorised federal executive body (eg the Ministry of Finance) embarks on the formal procedure of submitting draft legislation. Implementation of FSC recommendations is discussed at every subsequent FSC meeting. Long-term measures are periodically discussed in accordance with their implementation schedule.

Operational framework

Given its role as the single financial regulator and supervisor, and in the light of its financial stability mandate, the CBR plays the central role in the country's macroprudential policy framework.

The CBR has broad powers to obtain data for macroprudential oversight purposes. In addition to the power to collect data from regulated financial entities, the CBR is responsible for compiling banking and monetary statistics, balance of payments statistics, and the financial account component of the national account statistics. The CBR is the competent authority responsible for exchanging information with foreign counterparts. If the required information is beyond the CBR's mandate, there is an option to obtain it through the FSC, which has the right to request it from any entity (in this way, the CBR has set up a special arrangement to obtain information from significant non-financial corporates, on a confidential basis).

Following the creation of the Financial Stability Department in March 2011, which plays a leading role in carrying out macroprudential surveillance (including risk assessments of banks, non-bank financial institutions and non-financial corporates), the CBR established an internal Financial Stability Committee (FSCom) in November 2014 to play a coordinating role in macroprudential oversight, crisis management, and other financial stability issues.

The FSCom is responsible for conducting systemic risk monitoring and assessment, evaluating systemically important financial market infrastructures (FMIs), assessing the financial soundness of significant non-financial corporates, and reviewing the draft Financial Stability Review. The FSCom can make recommendations on matters related to financial stability to the CBR Board, as well as to other relevant specialised committees within the CBR (the Banking Supervision Committee, the Financial Supervision Committee and the Monetary Policy Committee).

The FSCom is not specified in the central bank law and has no formal power to make policy decisions. The CBR's Board of Directors is responsible for all key decisions, including those on monetary policy and financial regulation. The law does establish two specialised committees — the Banking Supervision Committee and the Financial Supervision Committee — to carry out day-to-day regulatory and supervisory functions. Within the current decision-making structure, the FSCom facilitates internal coordination, given that financial stability involves several departments and interacts with other policies.

The FSCom is chaired by the Bank's Governor to ensure adequate internal coordination, as prudential tools come under the responsibility of various departments and also in view of the link between monetary and macroprudential policies. Deputy Governors – those responsible for financial stability, banking oversight, and non-bank financial institutions and market oversight – are also members of the FSCom. The Director of the Financial Stability Department is a member of the Banking Supervision Committee, the Financial Supervision Committee, and the Monetary Policy Committee. Taking into account the membership of the FSCom, it is able de facto to take major decisions on macroprudential policy, which are then formally and technically implemented through other internal committees and departments with subsequent approval for the Bank's Board.

As an example of macroprudential decision-making, the FSCom would first take a strategic decision, initiating an inter-departmental consultation to prepare draft regulations and make other necessary arrangements. The relevant specialised committee would then discuss and decide how to implement the measure, with a recommendation (including draft regulation) for consideration by the Board. The Board is then responsible for the final approval of the measure.

In the current legislative framework, the Bank's macroprudential policy consists mainly in the use of prudential tools (see Annex) to limit systemic risk, which is the risk that the financial system becomes dysfunctional, with potentially serious negative consequences for the real economy. Whereas several purely macroprudential policy tools – countercyclical capital buffers (CCBs), capital surcharges on systemically important banks – were implemented at the beginning of 2016, the central bank law currently provides for only a limited number of macroprudential tools, and does not provide any legal foundation for the use of the full set of commonly recognised macroprudential tools, such as loan-to-value limits or debt-service-to-income ratios, as well as limits on the growth of particular credit segments. The CBR is currently overhauling its macroprudential approach to ensure a prompt decision-making process with the aim of avoiding long periods of legislative amendments.

Communication

A systematic policy framework to communicate financial stability policy and considerations to stakeholders is indispensable. In most countries, a financial stability report is a key way of explaining the regulator's policy to financial institutions and the general public. Such a report should contain both an assessment of systemic risks and the regulator's approach to dealing with them (through recommendations, macroprudential measures and forward guidance). In the interests of accountability, the report should also include a review of the efficacy of macroprudential measures that were previously implemented.

If communication is considered as an instrument in its own right, its effectiveness may depend on the stage of the financial cycle. However, it becomes a really efficient tool only when complemented by adequate powers and resources on the part of the authorities. Before the Global Financial Crisis of 2007–09, several central banks warned about systemic risks in their reports. However, this was not sufficient either to avert the financial bubble or to make financial institutions more resilient.

During a boom, regulators should pre-emptively explain their actions to preserve financial stability in order to balance industry lobbying and political pressure. Transparency is also needed in any period of enhanced risks, although the regulator should be particularly careful about the content and timing of its communications given the risk of raising market uncertainty. Communication should be accompanied with a clear toolkit to deal with potential shocks.

The CBR started publishing its Financial Stability Review (FSR) in 2003. Since 2012, an improved FSR has been published twice a year. Serving as the Bank's main channel for communicating its views on systemic risk, the FSR contains an assessment of risks in different segments of the financial system, as well as a review of fiscal policy sustainability and the risk profile of non-financial corporations. The document discusses approaches to dealing with identified risks and reviews previously implemented measures.

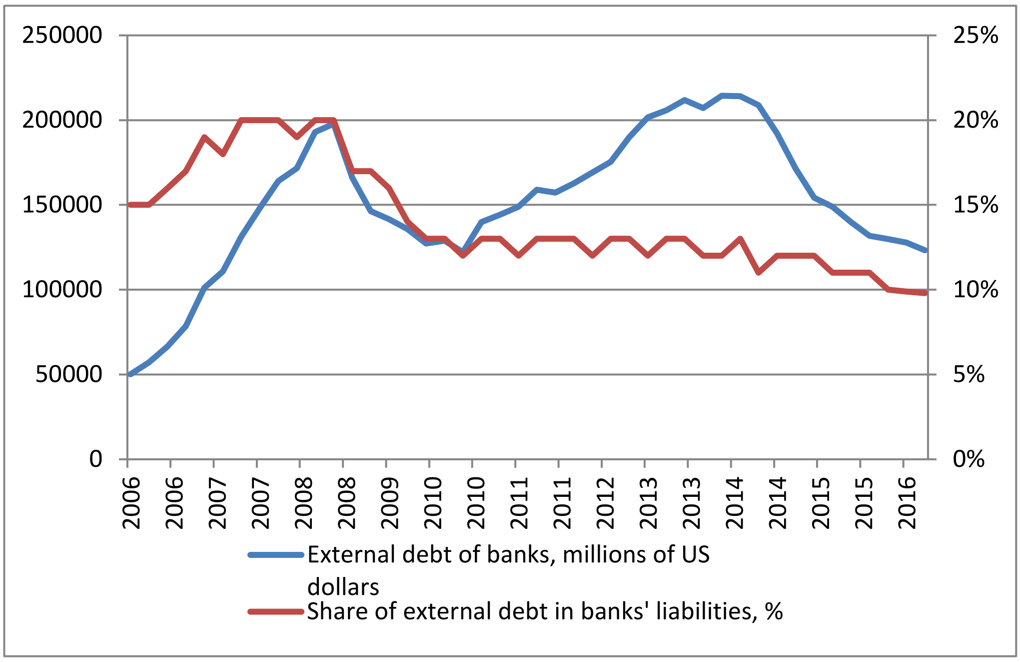
Regular press releases on the Bank's decisions on the countercyclical capital buffer (CCB) rate (currently set at zero) represent another regular macroprudential communication channel. The Bank of Russia evaluates possible changes to the CCB rate each quarter based on the analysis of a wide range of credit cycle indicators. This assessment is communicated through scheduled press releases. If a decision is made to set the CCB rate at above 0% of risk-weighted assets, the requirement becomes effective no sooner than six months and no later than 12 months from the decision announcement, allowing banks sufficient time to plan their capital management, including dividend and compensation policy.

Experience and effectiveness

The CBR has deployed macroprudential policy measures on three major occasions.[3] The first use was in 2007–08, a period characterised by considerable inflows of foreign capital and a growing share of foreign debt in the banking sector's liabilities. The second case was observed in 2013–14 amid a boom in the unsecured consumer lending market. The third episode is related to the use of measures in 2016 to restrain the dollarisation of the banking sector's assets and liabilities.

Episode of 2007–08. In 2006–07, net private capital inflows into Russia amounted to $131.5 billion, which intensified the risk of inflation and also increased the dependence of Russian banks on foreign debt (in the form of Eurobonds and foreign bank lending). The share of foreign borrowings reached 20% of banks' liabilities, representing a considerable dependence on external resources.

External debt of Russian banks in 2006–16 Graph 1



Source: CBR.

To limit the negative consequences of capital inflows, the CBR took steps in 2007–08 to consistently change reserve requirements for credit institutions (Table 1).

[3] See Annex Table on Timeline of macroprudential measures in Russia since 2006.

Given that obligations to non-resident banks were potentially the most volatile component of liabilities, required reserve ratios were increased for this item (by a maximum of 4 percentage points). Amid the deteriorating liquidity situation in the Russian banking sector after the Lehman Brothers bankruptcy, the required reserve ratio for all categories of liabilities was set at 0.5%.

Required reserve ratios for credit institutions in 2007–08 (%) Table 1

	Liabilities		
Date	to non-resident banks	to private individuals in roubles	other liabilities
January 2008	4.5	4.0	4.5
March 2008	5.5	4.5	5.0
July 2008	7.0	5.0	5.5
1 September 2008	8.5	5.5	6.0
18 September 2008	4.5	1.5	2.0
October 2008	0.5	0.5	0.5

Capital inflows gave way to a sharp outflow in September 2008, making it impossible to assess whether the increased reserve requirements were sufficient to prevent a further build-up of systemic risks. However, these measures obviously increased the banking sector's sustainability: the higher reserve ratios made for a "cushion" of liquid assets, which could be used by the CBR in a period of an acute shortage of banking sector liquidity. The lowering of the ratio allowed banks to immediately access about 400 billion roubles of liquid assets, thus maintaining banking sector stability before additional special measures were introduced, in particular, unsecured lending.

The share of foreign debt in liabilities never reached a critical level and the proportion of non-residents' funds in banks' liabilities was observed to ease steadily. The quality of foreign currency loans to non-financial organisations also gradually recovered. The share of overdue debts on such loans peaked by September 2009 (5.5%) and varied between 2% and 3% in the post-crisis years.

Episode of 2013–14. Credit growth was excessive in unsecured consumer lending in 2011–12. The annual growth rate in unsecured consumer loans reached 60% in mid-2012, considerably exceeding the growth in loans to non-financial organisations (24.4%). At the same time, the total cost of unsecured consumer loans exceeded 50% amid inflation at 6.6% in 2012, which negatively affected the low-margin segments of lending. In particular, banks specialising in mortgage and corporate lending found it problematic to attract household deposits to finance their activities, as households more frequently gave preference to high-yield deposits at retail banks. Banks had little scope to focus on mortgage and corporate lending to increase yields on deposits owing to the relatively low level of interest rates on these products as compared with unsecured consumer loans.

Confronted with these challenges, the CBR took a number of measures to curb risks in the segment of unsecured consumer lending. Loan-loss provisions for unsecured consumer loans without overdue payments and with overdue payments of one to 30 days were doubled in 2013. Also, risk weights for consumer loans were raised depending on the currency of the loan and the level of the loan total cost

(Table 2). From the beginning of 2014, the CBR additionally raised loan-loss provisions for unsecured consumer loans by 50%, and also increased risk weights.

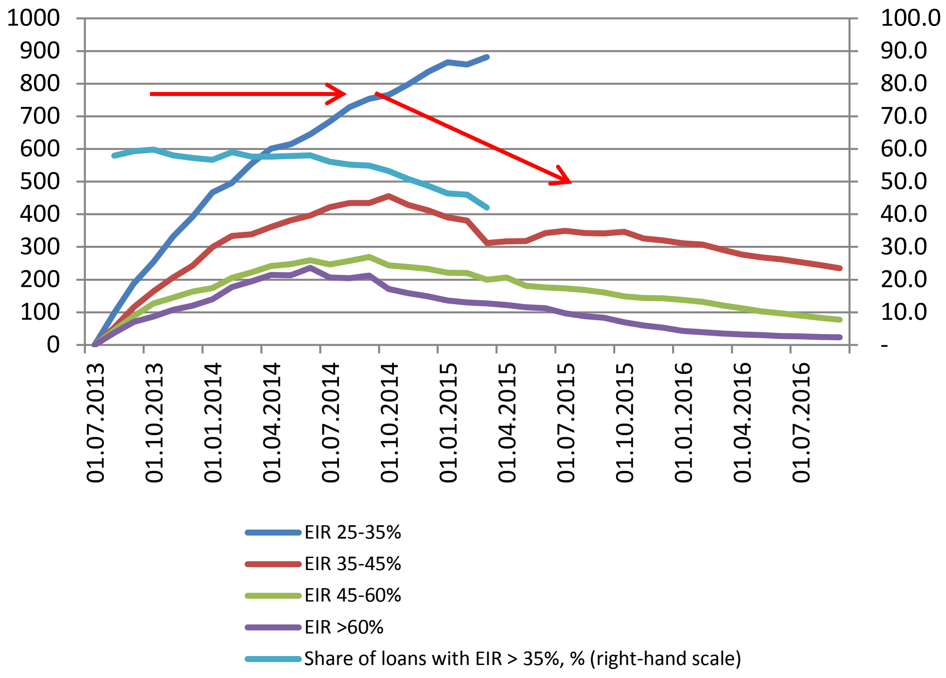
Change in risk weights for unsecured consumer loans in 2013–14* Table 2

Date of changes	Loan currency	Loan total cost	Risk weight, %
1 July 2013	Roubles	from 25% to 35%	110
		from 35% to 45%	140
		from 45% to 60%	170
		over 60%	200
	Foreign currency	from 20% to 25%	170
		over 25%	200
1 January 2014	Roubles	from 45% to 60%	300
		over 60%	600
	Foreign currency	from 20% to 25%	300
		over 25%	600

* Prior to 1 July 2013, the risk weight for unsecured consumer loans was 100%.

The excessive growth of consumer lending led to the accumulation of credit risks that materialised in the recession of 2014–15. Nevertheless, the CBR's measures helped reduce systemic risks in the segment of unsecured consumer lending.

Debt on unsecured consumer loans not subject to increased risk ratios, billions of roubles Graph 13

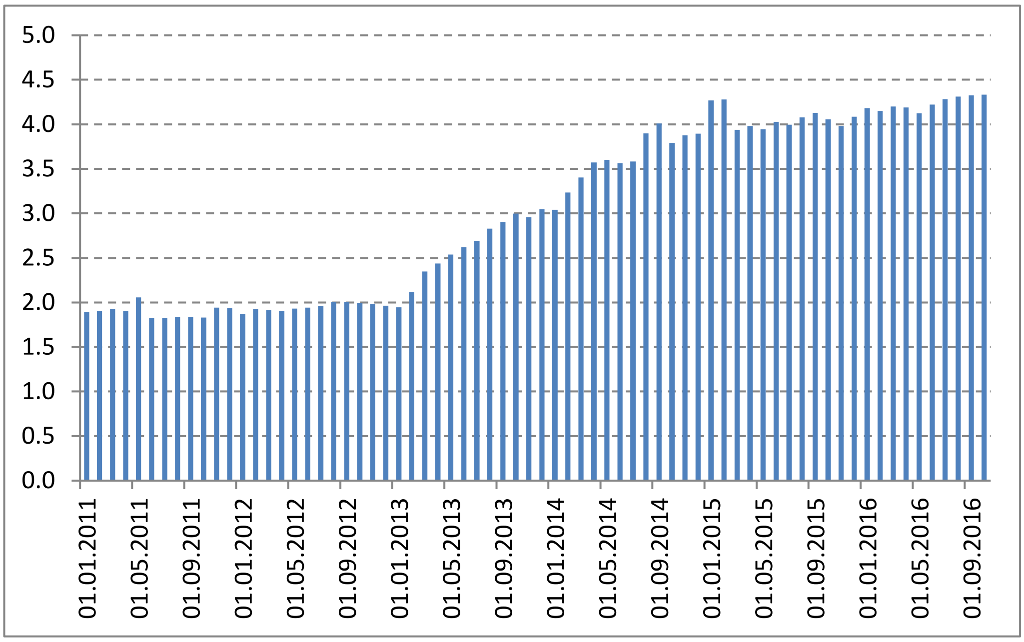


Source: CBR.

The structure of the banking portfolio of unsecured loans underwent changes. Banks were gradually reducing the share of loans with a loan total cost of over 35% in the portfolio of loans, which were subject to increased risk weights (on loans with a loan total cost of more than 25%), although these macroprudential measures took time to take effect. The share of loans with a loan total cost of over 35% started to decline only about 12 months after the restrictive measures were introduced, remaining actually unchanged during the first 12 months, ie the measures had only a limited effect over this period (Graph 13).

Nevertheless, the CBR's measures induced banks specialising in unsecured consumer loans to build up their provisions, which finally improved their financial sustainability. The provisioning coverage ratio for unsecured consumer loans without overdue payments and with overdue payments of one to 30 days increased for retail banks[4] from 1.9% as of 1 January 2013 to 4.3% as of 1 January 2015 (Graph 14).

Reserve coverage ratio for performing unsecured loans and for unsecured loans with up to 30-day overdue payments (%) Graph 14



Therefore, the CBR's experience of using macroprudential measures in the segment of unsecured consumer lending is generally positive. However, the effectiveness of these measures could have been even greater. Measures based on increased risk weights cannot always produce an immediate effect on banks' credit activities. Many retail banks had a sufficient capital stock in the segment of unsecured lending in 2013, which allowed them to continue building up lending volumes with only a limited effect on their capital adequacy ratios. The high level of the total cost

[4] The following criteria are used for inclusion in the group of banks specialising in unsecured consumer lending: unsecured loans of over 10 billion roubles; an unsecured loans-to-assets ratio of over 20%; and a share of interest income on household loans in total interest income of more than 35%.

on loans and the relatively low level of credit risks allowed retail banks to cover costs from the increased risk weights through their interest rate margin for some time.

A law directly restricting the provision of loans with a given level of loan total cost could have been more effective in limiting high loan total cost levels in unsecured consumer lending during 2012–13. Such a law came into force in July 2014 (Federal Law No. 353-FZ of 21 December 2013 "On Consumer Credit (Loan)"), while actual caps on loan total cost were introduced only from July 2015 due to a considerable change in the market conditions influencing loan total cost, which occurred in late 2014.

Episode of 2016. The high dollarisation of the banking sector's assets and liabilities increased volatility in financial markets in the second half of 2014, the negative effects manifesting themselves in two areas:

- the high volatility of credit institutions' required capital ratios, given that capital is largely denominated in roubles. The revaluation of assets as a result of the rouble's weakening exerted considerable pressure on these ratios. To address this problem, the CBR allowed credit institutions in the period of 1 January 2015 to 1 January 2016 to use special foreign exchange rates to calculate required ratios. In Q1 2016, banks were allowed to re-calculate their assets denominated in five foreign currencies at the exchange rates set by the CBR as of 1 January 2016 for the calculation of two required ratios: the maximum risk per borrower or per group of related borrowers (N6) and the maximum risk per borrower or per group of related borrowers of a banking group (N21); and
- increased credit risks related to the provision of foreign currency-denominated loans to companies without sufficient foreign currency revenues. Organisations engaged in construction and real estate operations and airlines are especially exposed to this kind of risk. The share of overdue debts in these sectors increased from 2.1 to 6.2 percent from 1 January 2015 to 1 October 2016. Wholesale and retail trading companies also saw a considerable increase in the share of overdue debt on foreign currency loans in this period (1.8 percentage points).

Considering the experience of 2014–15 and to curb the build-up of risks arising from the high level of dollarisation, the CBR took a number of measures aimed at both the asset and liabilities sides of the banking sector's balance sheet.

In 2015, the CBR introduced increased risk weights for foreign currency claims on households.[5] From 1 May 2016, the CBR also raised the risk weight for foreign currency loans provided to corporate entities with insufficient foreign exchange earnings to service debt obligations from 100% to 110%.[6] A similar measure was applied to investments in securities denominated in foreign currency. The risk weight

5 To 300% for foreign currency mortgage loans from 1 April 2016; 300% for consumer loans with the loan total cost of not more than 20% from 1 August 2015; 300% for other household foreign currency loans from 1 August 2015.

6 An exception was made for loans to borrowers among Russian residents that posted foreign currency revenues of no less than 60% of their total earnings for the latest completed financial year and no less than 120% of aggregate loan payments for the current calendar year in the same foreign currency as the currency of the revenues. The requirement for a match between the currency of the loan and the currency of revenues does not apply to international reserve currencies used by the IMF for valuing SDRs.

for foreign currency loans to corporate entities for the purchase of real estate was also raised from 100% to 130%.

To curb the growth of foreign currency-denominated obligations in credit institutions' liabilities, the CBR increased the mandatory reserve requirements for credit institutions' liabilities denominated in foreign currency in three phases (in total, by 1.75 percentage points for foreign currency liabilities to households and by 2.75 percentage points for other foreign currency liabilities[7]).

These measures helped limit the growth of foreign currency obligations in the structure of banks' liabilities and reduce the supply of foreign currency loans in favour of growth in rouble lending. Foreign currency loans to non-financial organisations contracted by $12.3 billion between 1 April and 1 October 2016 while rouble lending increased by 225.4 billion roubles. The share of household and corporate foreign currency deposits in banking sector liabilities rose by 7.5 percentage points in 2015 (from 17.2% to 24.7%) whereas in the first nine months of 2016 it fell by 5.9 percentage points to 18.8% (excluding the effect of revaluation from a change in the rouble exchange rate).

This was caused partially by the continued contraction in corporate deposits, which shrank by $6 billion in 2015 and by $15 billion in January–September 2016. The decrease in non-financial organisations' foreign currency deposits was also prompted a reduction in the external debt of major corporates and by lower oil prices in 2016. At the same time, the volume of funds raised by firms in roubles increased by 10.1% from the beginning of 2016 (by 4.7% in 2015), which allows for a general conclusion about the effectiveness of the Bank of Russia's measures for a gradual reduction in dollarisation.

Plans for macroprudential policy development

The CBR's experience in the use of macroprudential instruments to influence the unsecured consumer loans market suggests that such tools are indispensable. At present, although the consumer lending market shows no signs of overheating, the Bank is working on new ways of responding to potential systemic risks.

Low interest rates on consumer loans could potentially foment a new boom in this market. Should this materialise, the debt burden indicator for borrowers and, in particular, the borrower's debt-to-income (DTI) ratio, looks promising as an element of macroprudential regulation to differentiate risky loans.

The Bank of Russia already applies differentiated risk weights to mortgage loans, depending on their loan-to-value and payment-to-income levels. It is currently studying the possibility of switching over to risk limitation in the segment of unsecured consumer lending based on the debt-to-income indicator, although there are no plans to introduce it into the banking sector in the short term. This change would require the development of infrastructure that would reflect banks' need to make rapid loan approvals. Thus, banks would need to promptly receive data on both the loan applicant's income and aggregate debt through the Credit History Bureau.

7 In August 2016, required reserve ratios were also raised for rouble liabilities for the purposes of monetary policy implementation (the absorption of a liquidity inflow through the budgetary channel).

Work is currently under way on an electronic facility for banks to promptly receive data on the incomes of loan applicants. A draft law has been submitted that would require Russia's Government Pension Fund to provide information to insured persons regarding the salaries or income on which insurance contributions are based. This information would be sent to credit institutions so that private customers could obtain commercial loans. Borrowers would therefore be able to promptly provide information on their income to banks in support of a loan application. For their part, banks will be able to rapidly and thoroughly assess the borrower's risk.

The CBR will continue reviewing the effectiveness of macroprudential tools that have been already been deployed, and it will continue to assess the effect of proposed measures on the financial sector's functioning, including that of monetary policy implementation.

Annex

Timeline of macroprudential measures in Russia since 2006	Annex Table
Differentiated reserve requirement	
October 2006	The reserve requirement on liabilities to non-resident banks in all currencies was increased to 3.5% (from 2%). This particular reserve requirement was introduced at 2% in August 2004. At that time, the reserve requirements on individual deposits in local currency and on other deposits (for example, corporate deposits in all currencies and individual deposits in foreign currency) were at 3.5% (since July 2004).
July 2007	The reserve requirement on liabilities to non-resident banks in all currencies was increased to 4.5%. The reserve requirements on individual deposits in local currency and on other deposits were raised to 4% and 4.5%, respectively.
October 2007	The reserve requirement on liabilities to non-resident banks in all currencies was reduced to 3.5%. The reserve requirements on individual deposits in local currency and on other deposits were lowered to 3% and 3.5%, respectively.
January 2008	The reserve requirement on liabilities to non-resident banks in all currencies was increased to 4.5%. The reserve requirements on individual deposits in local currency and on other deposits were raised to 4% and 4.5%, respectively.
March 2008	The reserve requirement on liabilities to non-resident banks in all currencies was increased to 5.5%. The reserve requirements on individual deposits in local currency and on other deposits were raised to 4.5% and 5%, respectively.
July 2008	The reserve requirement on liabilities to non-resident banks in all currencies was increased to 7%. The reserve requirements on individual deposits in local currency and on other deposits were raised to 5% and 5.5%, respectively.
September 2008 (From 1st)	The reserve requirement on liabilities to non-resident banks in all currencies was increased to 8.5%. The reserve requirements on individual deposits in local currency and on other deposits were raised to 5.5 and 6%, respectively.
September 2008 (From 18th)	The reserve requirement on liabilities to non-resident banks in all currencies was reduced to 4.5%. The reserve requirements on individual deposits in local currency and on other deposits were lowered to 1.5% and 2%, respectively.
October 2008	The reserve requirements were uniformly reduced to 0.5%. The reserve requirement was subsequently raised to 1% in May 2009, to 1.5% in June 2009, to 2% in July 2009, and to 2.5% in August 2009.
February 2011	The reserve requirement on liabilities to non-resident legal entities in all currencies was increased to 3.5%. The reserve requirement on deposits was raised to 3%.
March 2011	The reserve requirement on liabilities to non-resident legal entities in all currencies was increased to 4.5%. The reserve requirement on deposits was raised to 3.5%.
April 2011	The reserve requirement on liabilities to non-resident legal entities in all currencies was increased to 5.5%. The reserve requirement on deposits was raised to 4%.

March 2013	The reserve requirements were uniformly imposed at 4.25%.
April 2016	The reserve requirement on liabilities in foreign currency, except individual deposits, was increased to 5.25%. The reserve requirement on other liabilities remained at 4.25%.
July 2016	The reserve requirement on liabilities in foreign currency, except individual deposits, was increased to 6.25%. The reserve requirement on individual deposits in foreign currency was increased to 5.25%. The reserve requirement on liabilities in roubles remained at 4.25%.
August 2016	The reserve requirement on liabilities in foreign currency was increased to 6% for individual deposits and 7% for other liabilities. The reserve requirement on liabilities in roubles was raised to 5%.
January 2017	The structure of credit institutions' reservable liabilities included in the calculation of required reserves will be updated. Differentiated reserve requirements imposed on long-term liabilities to non-resident legal entities and other liabilities, which had been previously exempt from the rule. The reserve ratios for long-term liabilities equal the previously existing reserve ratios for respective liabilities.
Provisioning	
June 2009	The loan classification and the provisioning requirement were eased (in response to a banking crisis). Restructured loans were allowed to remain in the original classification.
March 2013	The minimum provisions for newly extended unsecured consumer loans were increased to 2% for loans without overdue payments (from 1%) and to 6% for loans with overdue payments for no more than 30 days (from 3%). The tighter provision requirements were only applicable in the case that borrowers did not have deposit accounts with the banks. Unsecured consumer loans with overdue payments for more than 360 days must be fully provisioned (that is, 100%).
January 2014	The minimum provisions for newly extended unsecured consumer loans were increased to 3% for loans without overdue payments and to 8% for loans with overdue payments for no more than 30 days. The tighter provision requirements were only applicable in the case that borrowers did not have deposit accounts with the banks.
December 2014	The loan classification and the provisioning requirement were eased (to increase flexibility in the management of credit risk).
Sectoral Capital Risk Weights	
May 2009	The risk weight for relatively low-risk newly extended mortgage loans in roubles was reduced to 0.7 (from 1). These mortgage loans meet the following requirements: - The size of loans is less than RUB 50 million. - The LTV ratio is less than 70%; the DSTI ratio is less than 33⅓% (for calculating the DSTI ratio, income of spouse and children is also included). - The property used as collateral must be insured for an amount of at least the size of loans.
October 2011	The risk weight for relatively high-risk newly extended mortgage loans in roubles was increased to 1.5 (from 1). These mortgage loans meet the following requirements: - The size of loans is more than RUB 50 million. - The LTV ratio is more than 80%.
July 2013	The risk weights for newly extended unsecured consumer loans increased based on risk profiles: Loans in local currency - Risk weight of 1.1 for loans with effective lending rates of 25–35% - Risk weight of 1.4 for loans with effective lending rates of 35–45% - Risk weight of 1.7 for loans with effective lending rates of 45–60% - Risk weight of 2 for loans with effective lending rates of more than 60%. Loans in foreign currency - Risk weight of 1.7 for loans with effective lending rates of 20–25% - Risk weight of 2 for loans with effective lending rates of more than 25%.

January 2014	The risk weights for newly extended unsecured consumer loans were increased based on risk profiles: Loans in local currency - Risk weight of 3 for loans with effective lending rates of 45–60% - Risk weight of 6 for loans with effective lending rates of more than 60%. Loans in foreign currency - Risk weight of 3 for loans with effective lending rates of 20–25% - Risk weight of 6 for loans with effective lending rates of more than 25%.
May 2014	The criteria for mortgage loans subject to the risk weight of 0.7 changed: - The DSTI ratio is less than 50% (previously, 33⅓%); other criteria remain unchanged.
December 2014	The risk weight for relative low-risk newly extended mortgage loans in roubles was further reduced to 0.5. These mortgage loans meet the following requirements: - The size of loans is less than RUB 50 million. - The LTV ratio is less than 50%; the DSTI ratio is less than 40%. - The property used as collateral must be insured for an amount of at least the size of loans.
January 2015	The risk weight for relatively high-risk newly extended mortgage loans in roubles was increased to 1.5 (from 1). These mortgage loans meet the following requirements: - The LTV ratio is more than 90%.
February 2015	The risk weight for newly extended unsecured consumer loans was reduced to 1. Loans must have the following risk profiles: - In local currency - With effective lending rates of 25–35%.
April 2015	The risk weight for newly extended mortgage loans in foreign currency was increased to 3 (from 1).
August 2015	The risk weight for newly extended unsecured consumer loans was increased to 3. Loans must have the following risk profiles: - In foreign currency - With effective lending rates of less than 20%.
January 2016	The risk weight for relatively low-risk newly extended mortgage loans in roubles was further reduced to 0.35. These mortgage loans meet the following requirements: - The size of loans is less than RUB 50 million. - The LTV ratio is less than 50%; the DSTI ratio is less than 33%. - The property used as collateral must be insured for an amount of at least the size of loans.
May 2016	The risk weights for new exposures to legal entities in foreign currency were increased to 1.1-1.5 (from 1), depending on transaction types and investment purposes. Main features are: - The risk weight for the above-mentioned foreign-currency exposures (both loans and debt securities) would be at least 1.1, except for exposures to corporates with sufficient foreign-currency earnings for debt servicing and exposures that are guaranteed by the government. - The risk weight for foreign-currency lending for purchasing commercial real estate would be 1.3. - The risk weight for foreign-currency debt securities held in certain securities depositories would be 1.5.

Source: *IMF Country Report No. 16/307, updated by the CBR.*