

In your jurisdiction, does the responsibility for promoting competition across financial services markets rest with a separate competition authority or the financial regulator/supervisor, or is the responsibility shared?

The FAS Russia is the federal executive authority authorized to exercise the functions of supervising compliance with the antimonopoly law, including in the financial markets. Other regulatory authorities, asking for some of the functions in relation to the financial services market, have no powers to supervise compliance with antimonopoly law.

Does promotion of competition constitute a specific objective for financial regulators/supervisors? What is its relationship with other objectives, e.g. financial stability, consumer protection - is there a hierarchy of objectives?

The Central Bank of the Russian Federation (Bank of Russia) being the authority on regulation, control and supervision of the financial markets, in some cases takes part in the implementation by the FAS Russia the functions of promoting of competition and control over compliance with the antimonopoly law in the financial markets. For example, the conditions and the procedure for establishing a dominant position of financial institutions are determined upon the agreement with the Bank of Russia. In addition, representatives of the Bank of Russia and its regional institutions are required to participate in commissions on review of cases of violation of the antimonopoly legislation by financial institutions supervised by the Bank of Russia. These commissions are approved by the antimonopoly authority and act on behalf of the antimonopoly authority and are empowered to make all decisions on the case, including the conclusion of infringement or no infringement of antimonopoly law.

At the same time the specific purpose for regulatory authorities, exercising the functions in the financial services market, including the Bank of Russia, are not empowered to promote competition.

Can financial regulators/supervisors enforce general competition law on the financial services markets?

Control over the antimonopoly legislation is imposed on the FAS Russia and its regional offices. At the same time, as stated in the answer to Question 73, some functions of the antimonopoly authority in the financial markets carried out by the FAS Russia in coordination with the Bank of Russia or with the obligatory participation of representatives of the Bank of Russia. We notice that the application

by employees of the Bank of Russia of the antimonopoly legislation is possible only with the participation of the committees of the antimonopoly authority to review cases on violation of antimonopoly law. In this case all the documents received such a commission in the framework of the case, are the normative acts of the antimonopoly authority.

Do financial regulators/supervisors have powers to intervene to address structural features of markets that inhibit competition, e.g. high concentration, vertical integration?

Taking into account that fact that control agencies don't have the purpose to promote development of competition, they can't intentionally interfere in structural features of markets, which prevent the competition. However, it should be noted that the realization of functions imposed on the Bank of Russia can have positive effect on development of competition in the market.

Do financial regulators/supervisors have powers to regulate price levels or structures within financial services markets?

In accordance with provisions of the insurance legislation, insurance tariffs on compulsory types of insurance (it's minimal and maximum values), the structure of insurance tariffs and procedure of their application by insurers in determining on insurance premium under the contract of compulsory insurance, except insurance tariffs (its maximum levels), the structure of insurance premium under the international systems of insurance, are settled by the Bank of Russia

Besides during 2009 - 2010 the Bank of Russia prepared several letters with recommendations to regional authorities of the Bank of Russia to direct to banks writing recommendations on minimizing non-marketable amounts of rate of interests. It should be noticed that similar recommendations of the Bank of Russia are not obligatory and, as it appears from the content, letters mentioned above, those recommendations were realized under the realization of assigned functions for assurance of stability of banking system and exception of threats of depositor's interest. However, at present the Bank of Russia doesn't have powers fixed authorized in the law on limitation of level of interest rates of credit organizations on a constant basis.

The Federal law of 21.12.2013 № 353-FZ «On Consumer credit» (comes into force on 01.07.2014) establishes restriction of price of consumer credit: this price can't exceed mid-market value of full price for consumer credit of corresponding category of consumer credit in corresponding calendar quarter, more than calculated by the Bank of Russia. In case of significant changes in market conditions affecting the full cost of consumer credit (loan), a regulatory of the Bank of Russia can set a period during which the specified the restriction doesn't apply.

How do regulators/supervisors ensure that their interventions to promote competition have a beneficial impact on consumers of financial services?

Controlling authorities cannot guarantee that their interventions to promote competition will have a beneficial effect on consumers of financial services, but they strive for a beneficial impact while making their decisions. At the same time, the controlling authorities, including the FAS of Russia and its regional offices, always take into account consumer's point of view as indicated in their appeals or found during appropriate surveys.

The example of such interventions that had a beneficial impact on the consumers can be the Booklet for Buyer's Credit Borrower worked out by the Central Bank of Russia (the letter of the Bank of Russia on 05.05.2008). The Booklet was prepared by the Bank of Russia during the work under maintenance of legitimacy in the sphere of buyer's credits and the improvement of financial literacy of the population. The Booklet contains the most relevant information that can be helpful for a borrower (or potential borrower) in making decision about taking a loan.

Besides, the cases of violation of the antimonopoly legislation considered by the FAS Russia mostly connected with appeals received from individuals requesting for protection of their rights. For instance, the FAS Russia considered the case of violation of the antimonopoly legislation in striking cooperation agreements insuring personal and property interests by the Agency for Mortgage Lending, OJSC («AIZhK»), and 50 insurance companies. The insurance program was worked out by the «AIZhK». Certain points of the cooperation agreement resulted/could result in the establishment of tariffs of insuring property or other interests according to the program of the «AIZhK», and also in refusal of the «AIZhK» and borrowers to strike agreements with insurers.

In order to eliminate voluntarily the violation, the «AIZhK» and the insurance companies dissolved their cooperation agreement. The «AIZhK» changed its requirements for insurers that involve estimation of insurer's financial stability and make it possible to receive the insurance indemnity by the borrower or the indemnities in case of insurable event, which complies with the borrower's interests.

The significance of the case lies in the fact that during its consideration the antimonopoly authority formulated its approach to arrangements between credit and insurance companies that obliges a party (parties) to insure risks going beyond the risk of loss or damage of the secured asset, more specifically, insuring life and loss of occupational capacity, and loss of land ownership. This attitude was fixed in the resolution of the Government of the Russian Federation on 30.06.2009 №386 «On cases of allow ability of arrangements between credit institutions and insurance companies».

There are examples of competition in financial services markets driving poor outcomes for consumers (e.g. financial services markets in which fierce competition on the headline price leads to increases in hidden or contingent charges). Please indicate whether these are relevant in your jurisdiction and if so how have these been addressed?

Among examples of competition in financial markets, which led to bad outcomes for consumers are:

1. Unfair competition of some credit organizations concerning the attracting individuals' funds to deposits.

In 2012, the Commission of the FAS Russia, which included staff from the Bank of Russia on a parity basis, has completed the examination of unfair competition cases of the CB Uniastrum Bank, Ltd, Investtradebank, OJSC, and SKB, JSC.

The basis for initiating proceedings were the numerous complaints of citizens (more than 20) concerning unfair competition of these credit organizations in attracting individuals' funds to deposits.

During the consideration of cases it was found that the above credit institutions in order to attract customers declared profitable conditions of consumer deposits, including the high interest rate and the possibility of calculating this rate for additional fees to the deposit, during the whole term of the deposit. Subsequently, the consumer properties of such deposits were substantially degraded by the banks versus initial stated properties. For example, one of the credit organizations has stopped to accept the additional fees under the contracts of deposit's replenishment, despite the fact that this deposit was a replenishing one. Other organizations introduced additional fees, including the fees from replenishment of the deposit, despite the contracts, providing the right of the replenishment without any restrictions during the term of the deposit.

The calculations have been held during the examination of cases showed that as a result of the measures, the yield from placing additional fees has decreased significantly: on deposits of SKB - from 14-18% to 6-10 % per year, CB Uniastrum - from 9-20 % to 1-11 % per year. Investtradebank OJSC has stopped taking the additional fees and completely deprived the investors guaranteed income (up to 20% per year).

Thus, the measures taken by credit organizations to attract individuals have adversely affected the consumers.

However, such actions of banks could also lead to redistribution in favor of their depositors, and, respectively, caused the losses of competitive banks, faithfully fulfilling the commitments, as well as to undermine the trust of depositors in the banking system as a whole.

The Commission of the FAS Russia recognized that these banks have violated the antimonopoly law and accompanied the decision by determinations, including the return of paid commissions for replenishment to depositors. The decision of the Commission of the FAS Russia was supported by courts.

2. In 2007 the FAS Russia has established a violation of the antimonopoly law by the Bank Avangard, LLC, and Insurance Group «Avangard-Garant», CJSC, namely the concluding of agreement that led to the imposition of bank borrowers some unfavorable contract conditions. In particular, the clients of the Bank obliged to insure vehicle which arrives to the bank deposit in Insurance Group «Avangard-Garant», according to the rules that the insured event will not take place if a driver breaks rules of the road. While individuals attracted favorable credit terms, ignoring that the insurance does not take place in accordance with the terms of business

turnover and are disadvantageous for consumers. At that individuals were attracted by favorable conditions of crediting, ignoring that insurance doesn't correspond to the conditions of business turnover and are unprofitable for consumers.

By results of consideration the case of the Bank Avangard, LLC, and Insurance Group «Avangard-Garant», CJSC, it was found that they have violated paragraph 5 of Part 1 of chapter 11 of the Law on Protection of Competition. Then the case was closed because they have carried out the voluntary elimination of violations of the antimonopoly law and its consequences.

3. The FAS Russia in 2010-2011 has established facts of circulation of false information about consumer properties and services as asset management, misleading consumers.

So, in 2010 the violation was found at «Management Company Troika Dialog» CJSC which contains in paragraph 2 of Part 1 of chapter 14 of the Law on Protection of Competition.

Over the 2006-2008 the Troyka Dialog Management Company, CJSC, publicly declared their competitive advantage in the provision of services in asset management, which expressed in possibility of participation of the customer in choosing management strategy and determine the expected level of risk and profitability of investments, providing customers with a unique and flawless operational reporting, including on a weekly basis, providing trustee services exclusively by the Troyka Dialog Management Company, CJSC, as well as adapting the client portfolios to economic situation on a weekly basis of investment committee decisions.

In 2011 was established a violation of CB Uniastrum Bank, LLC, of paragraph 2 of Part 1 of chapter 14 of the Law on Protection of Competition.

In 2007 – 2008 CB Uniastrum Bank, LLC, have posted some information in advertising and informational materials which misleads potential investors and founders of management of common fund of bank management (hereinafter – CFBM). Information:

- Control of CFBM activities by the Bank of Russia and observation of investor's interests;
- Strategic purposes of property management and asset structure of CFBM;
- The highest degree of transparency of CFBM and opportunities of trust or of CFBM to monitor the status of investments daily, as well as changing of the investment portfolio for each fund individually, and for the portfolio generally and also the value of its shares using the service «personal account»;
- About the future efficiency and profitability with management of financial documents being a part of CFBM.

According to the FAS Russia, this information indicates on consumer properties and quality of services of CB Uniastrum Bank, LLC, on trust management property of CFBM which characterize satisfaction of real or estimated needs of investors.

Under the influence of specified information individuals transferred millions of rubles to trust management of the Troyka Dialog Management Company, CJSC, and CB Uniastrum Bank, LLC. However the declared advantages didn't carry out the specified companies. Because of current situation clients of the Troyka Dialog Management Company, CJSC, and founders of CFBM under control of and CB

Uniastrum Bank, LLC, have lost during the crisis in 2008 which exceeded the level of falling of exchange indicators.

Besides, the Troyka Dialog Management Company, CJSC, and CB Uniastrum Bank, LLC, by means of misleading potential investors concerning consumer properties and quality of service in assets beneficial ownership, gained some benefits over other participants of the relevant commodity market in the form of involving of new investors, who potentially could choose other management company, unit investment fund, common fund of bank management, and also in retention of clients who potentially could terminate the contractual relations with Troyka Dialog Management Company, CJSC, and CB Uniastrum Bank, LLC, if they had not been misled by them. Such actions influence on demand redistribution in the relevant commodity market and can cause damage to other economic entities-competitors owing to loss in potential clients. The similar behavior in the financial market creates noncompetitive preferential situation in relation to fair participants of the market.

What initiatives exist to minimize or eliminate regulatory/supervisory barriers to entry in financial services markets? How is this balanced/prioritised against other duties?

The FAS Russia doesn't have information on the initiatives of the Bank of Russia about eliminating or reducing barriers of entry into the relevant markets.

However, the FAS Russia has been taking some measures to remove barriers to entry into the financial services market.

In particular, it was found that a number of existing federal laws contain provisions that may create unfair advantages to certain credit institutions and restrain competition in the banking market services. The FAS Russia has developed the draft law, that exclude the provisions in federal law that establish advantages to the certain economic entities.

Currently, the specified draft law was approved by relevant authorities and now it is under consideration by the State Duma of the Federal Assembly of the Russian Federation.

Adoption of this draft law will provide fair access to financial resources for credit organizations, which, by the FAS Russia's opinion, will enhance activities of small and medium-sized banks and will have a positive influence on their market positions that in turn will contribute to the development of the banking sector and strengthening of the banking system.

Are there examples of financial regulators/supervisors changing their approach (e.g. to authorizations or prudential requirements) in order to facilitate new entry in the financial services markets?

Lowering of the requirements for installation of ATMs by the Russian Central Bank can serve as an example of changing approaches by the supervisory institutions to simplify entry to markets of financial services.

The Russian Federation Ministry of Antimonopoly Policy and Enterprise Support (since 2004 – the FAS Russia) revealed some signs of breach of antimonopoly legislation in requirements established by the Russian Central Bank in relation to procedure of installation of ATMs. The requirements significantly complicated credit institutions' operations with credit cards, caused to unjustified increase in price of the service, and created barriers to activities of banks in this segment of the market.

Thus, the demand of installing ATMs in business apartments of no lower than 3rd class of break-in tolerance, and also the condition of displaying the intruder alarm on central guard console of private security or to internal affairs authorities call center are unjustifiably steep as for business apartments usually have a high level of safety and are equipped with necessary security systems. Moreover, the cost of 3rd class of break-in tolerance ATMs and security services of internal affairs authorities considerably increases a net cost of the service. According to the experts' estimates, the level of costs on re-equipment of ATM systems to comply with the demands of the Russian Central Bank could make up to \$40mln only by the Sberbank system.

The Central Bank of Russian Federation after comprehensive consideration of the antimonopoly body's suggestions significantly lowered the demands of installation of ATMs. As a result, the unjustified barrier was removed, and tens of million dollars for banking community, according to the specialists were saved.

One more example is work on optimization of equity funds adequacy norms of professional stock market players (further - equity funds adequacy norms) initiated by the FAS of Russia with the purpose of removing barriers of entry to the market.

By the bylaw of the Federal Financial Markets Service (FFMS) of Russia on 30.07.2009 № 09-29 «On amendments of the equity funds adequacy standards of professional stock market players, management companies of investment funds, unit investment funds, and non-state pension funds, approved by the bylaw of the FFMS of Russia on 24.04.2007 № 07-50» (further – bylaw №09-29) since 1 Jan, 2010 equity funds adequacy standards were raised significantly. Such a raise could result in decrease in the quantity of professional stock market players, put obstacles to entry to the market of new competitors and restrain competition in respective commodity markets due to increasing dominance of certain competitors.

Furthermore, the demands to the minimum limit of equity funds that are in force in accordance with the bylaw of the FFMS of Russia on 24.05.2011 № 11-23 «On establishment of the equity funds adequacy standards of professional stock market players, management companies of investment funds, unit investment funds, and non-state pension funds» do not take into account the risks of their operations, they are not differentiated and are considerably higher than similar demands in the USA and Europe.

The FAS Russia believes that in order to remove entrance barriers for professional stock market players it is necessary to differentiate the quantities of equity funds depending on the effect professional players' operations have on their financial stability, and also the consequences of termination of activity of such organizations for clients.

Thus, the values of the minimum limits of equity funds are to be established by federal law.

The FAS Russia sent out the respective suggestions to the Chairman of the Government of the Russian Federation and to the FFMS of Russia.

Considering the suggestions of the FAS Russia, the FFMS of Russia by the bylaw of 24 May, 2011 №11-23 repeal the bylaw № 09-29. The suggestions of the FAS Russia on optimization of the equity funds adequacy standards of professional stock market players were included into the draft bill № 469229-5 «On altering the Federal Law «On the stock market» and other enactments of the Russian Federation», which passed the first reading in the State Duma of the Federal Assembly of the Russian Federation on 08.02.2011.

What have been the major competition interventions in financial services markets in recent years?

a) On dominance?

In Russia till 2004 there was a 100% state guarantee only for investors of the largest bank controlled by the state that was the Sberbank of Russia, JSC, which allowed everyone to completely insure its savings against possible losses.

Other credit organizations had no guarantee that significantly worsened appeal of their banking products to consumers. Taking in to account mentioned above as well as a low level of trust of citizens to a banking system, the Sberbank of Russia, JSC held a dominant position in the deposit market, having a share of more than sixty percent.

Since 2004, when a deposit insurance system (DIS) was introduced in the Russian Federation, any bank having funds of the population in its internal turnover has been obliged to take part in DIS.

Introduction of DIS positively affected trust of individuals to a banking system. In 2006-2007 the total amount of means of population in member-banks of the deposits insurance system increased by 87, 5%.

With introduction of DIS, a number of banks working with deposits of the population began to increase. Thus, a share of Sberbank of Russia, JSC declined (as of 01.01.2002 by 66,9%, as of 01.01.2003 by 62,8%, as of 01.01.2004 by 59,6%, as of 01.01.2005 by 54,1%, as of 01.01.2006 by 52,9%, as of 01.01.2007 by 52%), and shares of other banks began to rise accordingly.

Thereby introduction of DIS promoted formation of the competitive market environment in the deposit market, as well as more even distribution of deposits within a banking system and, as a result, led to increase in its stability.

In 2006, in environment of sharpening of competitive fighting the Sberbank of Russia, JSC made a decision to raise deposit rates, despite decrease in a refinancing

rate by the Bank of Russia. It should be noted that before it the Sberbank of Russia, JSC changed deposit rates in 2004. After 01.01.2005 other credit organizations working in this market also began to change the interest rates on credits.

b) On market-wide issue, including price, interest rates or commissions?

In 2003, the Russian antimonopoly body considered a case in relation to NKO Western Union DP East, JSC in which agreements concluded by that organization with banks were recognized anticompetitive. Under provisions of those agreements member-banks of the money transfer system «Western Union» had no right to enter into other similar payment systems. The position of the antimonopoly authority on inadmissibility of such a condition was supported in court. After cancellation of an exclusive condition, the Western Union almost halved money transfer tariffs.

Subsequently, on the FAS Russia's initiative the Federal law of 27.06.2011 No. 161-FZ «On national payment system» was added with a change that forbade establishing a requirement of non-participation in other payment systems (a condition on exclusive participation) to participants of payment system.

Are cartels, collusive activities, mergers and firm concentrations monitored differently in the financial services market to other markets?

Norms governing issues of the prevention and suppression of violations of the antimonopoly law in the financial markets, including cartels and concerted practices, are not different from the general norms.

However, the state control over economic concentration in the financial markets has several features. The state control over economic concentration is a preliminary approval by the antimonopoly authority or its subsequent notification by companies of the intention of companies to make transactions, other actions, the implementation of which has an impact on competition. In order to fulfil this function by the FAS Russia, the Law on Protection of Competition specifies for non-financial organizations of sizes of assets of groups of persons of the applicant and the object of economic concentration as well as the size of the total revenue of the applicants groups of persons and the object of economic concentration in case of excess of at least one of them the organizations must preliminary agree transactions, other actions with FAS Russia or notify the FAS Russia on such transactions, other actions.

In order to realize this function, the antimonopoly authorities in the financial markets sizes of assets of financial institutions without regard to their individual groups are set out. In addition, these sizes are set out by the Government of the Russian Federation on the basis of the FAS Russia's proposals (for credit and

microfinance institutions proposals must be agreed with the Bank of Russia). It is worth noting that the sizes of assets of credit institutions and microfinance institutions in order to antimonopoly scrutiny are revised annually in accordance with the data on the growth rate of total assets value specified organizations in the past year. In addition, the Government of the Russian Federation approved the special conditions for the recognition of dominant position of financial organizations, as well as the procedure for establishing the dominant position of a financial institution.

What mechanisms are in place to help consumers compare, choose or switch between financial products? For example:

a) Disclosure of comparable information on price and product features

b) Tools for comparing price and/or product features across some or all of the market and to what extent are such tools regulated to protect consumers from misleading or inaccurate comparisons

c) Measures to assist with switching, e.g. through reducing the administrative burden

d) Others

In order to bring full and trustworthy information about financial services to consumers in the legislation of the Russian Federation for certain types of financial institutions set their own requirements for a site in the Internet and a list of information that such organizations have to publish there.

In particular, in relation to credit institutions in chapter 8 of the Federal Law of 02.12.1990 № 395-1 «On banks and banking activity» requires disclosure in the manner prescribed by the Bank of Russia, information on interest rates on bank deposit contracts with individuals (in overall credit organization without disclosing information on individual persons).

Article 30 of the same Act also established that to borrowers before the credit agreement should be made available information on the full cost of credit, constituting the full cost of the credit payments, as well as other essential terms of the contract.

In addition, come into force 01.07.2014 the Federal Law of 21.12.2013 № 353-FZ «On consumer credit (loan)», which establishes additional requirements for credit institutions publication of information on the essential conditions of the credit agreement available to consumers , including in the Internet and extends this obligation to other types of financial institutions, for which the issue of consumer loans is a professional activity.

The FAS Russia considers it necessary to establish detailed disclosure requirements to all types of financial institutions. Also, according to the FAS Russia, it is advisable to develop a draft law aimed at creating an informational site for financial institutions in the Internet («Reputation site») containing general information about the organization, information about violations, including antimonopoly and tax violations, the number of complaints for insurance companies - information about the number and order of insurance payments.

Such a site would help consumers to compare financial services proposals to a variety of financial services, tariffs, price, terms, etc. and choose a financial institution drawing on information about the reputation of the company.

In addition, in 2007 the FAS Russia revealed that some consumers were obliged to sign a contract of insurance for the entire term of the loan at the moment of conclusion of insurance contracts as credit borrowers. So, it does not imply the possibility of changing the insurance company.

In order to ensure competition in the insurance market, as well as respect for the rights of consumers to change suppliers of financial services, at the initiative of the Russian Federal Antimonopoly Service the Government of the Russian Federation determined the conditions for the admissibility of agreements between credit and insurance organizations (Government Resolution № 386 of 30.06.2009). This resolution contains a condition that the agreement between a credit and an insurance organization is admissible if the credit institution, including the obligation of the borrower does not allow to conclude an insurance contract for a period equal to the period of lending, when the credit shall be for a term exceeding one year (for insurance risk borrowers as part of the mortgage lending programs, except for liability insurance for the borrower's failure to perform or improper performance of obligations to repay the loan , requirements for the provision of insurance services may include the obligation of the borrower to enter into a contract of insurance for a period equal to the period of credit unless conditions insurance contract provides for the possibility of making the insurance premium in installments with the payment of the insurance premium at least 1 time per year).

Due to the fact that currently there is a problem of imposing additional voluntary insurance, the FAS Russia has developed proposals on consolidation at the legislative level «cooling period» - the period during which the insurer may cancel the insurance contract without any financial loss, which also will facilitate the ability of consumers to change supplier of financial services.

Have you used behavioral economics to inform interventions to increase consumer ability to search, compare and switch? How have you used this and has it been effective?

The legislation of the Russian Federation requires disclosure by credit institutions total cost of credit (item 83). However, the requirement of the forms of disclosure of such information has not been established.

In order to improve the perception of potential borrowers information on the total cost of credit (loan) and to allow comparison of their services to extend credit (loans) offered by different financial institutions, the FAS Russia with the

participation in the development of the Federal Law of 21.12.2013 № 353- FZ «On consumer credit (loan)» was proposed to consolidate the requirements for the form of bringing credit and other financial institutions to the borrowers the full costs (loan), including by incorporating this information directly to the loan agreement.

In accordance with the proposal, it was found in the law that the total amount of consumer credit (loan) is located in the square in the upper right corner of the first page of the contract of consumer credit (loan) and apply capital letters in black on a white background a clear, legible font maximum size of used on this page font sizes. Area of a square frame shall be not less than five percent of the first page of the contract of consumer credit (loan).

According to the FAS Russia, the adoption of this rule will facilitate more effective protection of the interests of citizens and ensuring fair competition in the relevant market.