

BANK OF RUSSIA BULLETIN No. 66 (229)

October 16, 1997

Bank of Russia Enactments and Regulations

Instruction on Bank Regulation Procedure (New Version of Instruction No. 1, Dated January 30, 1996, “On the Procedure for Regulating the Activities of Credit Institutions”)

Official Documents

ORDER No. 02-430

On the Enactment of the New Version of Bank of Russia Instruction No. 1 “On the Procedure for Regulating the Activities of Credit Institutions”

October 1, 1997

Moscow

In connection with the enactment as of January 1, 1998, of the new Accounting Regulations for Credit Institutions in the Russian Federation, I hereby ORDER:

1. To enforce as of January 1, 1998, the new version of Instruction No. 1 “On the Procedure for Regulating the Activities of Credit Institutions”, amended to take into account the requirements of the Accounting Regulations for Credit Institutions in the Russian Federation, approved by Bank of Russia Order No. 02-263, dated June 18, 1997.

2. The Bank of Russia Informatization Department shall provide the regional branches of the Bank of Russia and the Second Operations Department (OPERU-2) with the software for calculating the required economic norms.

3. The regional branches of the Bank of Russia and OPERU-2 shall make this Instruction known to credit institutions.

4. To repeal in connection with the enactment of the new version of Instruction No. 1 the version of the Instruction approved by Order No. 02-23 of January 30, 1996.

**Chairman
of the Central Bank
of the Russian Federation**

Sergei K. Dubinin

**Approved
by Bank of Russia Order No. 02-430,
Dated October 1, 1997**

October 1, 1997

No. 1

**INSTRUCTION
on Bank Regulation Procedure
(New Version of Instruction No. 1, Dated January 30, 1996, “On the Procedure for
Regulating the Activities of Credit Institutions”)**

Moscow 1997

INSTRUCTION No.1 ON BANK REGULATION PROCEDURE

To create economic conditions for stability of the banking system of the Russian Federation, protect the interests of depositors and creditors and in accordance with the Federal Law of the Russian Federation “On the Central Bank of the Russian Federation (Bank of Russia)”, the Central Bank of Russian Federation establishes the following required economic norms for banks:

- minimum authorised capital for newly created banks;
- minimum equity capital for existing banks;
- capital adequacy ratios;
- bank liquidity ratios;
- maximum risk per borrower or group of related borrowers;
- maximum big credit risks;
- maximum risk per creditor (depositor);
- maximum amount of credits, guarantees and sureties granted by a bank to its partners (stockholders and shareholders) and insiders;
- maximum amount of personal monetary funds (deposits);
- maximum amount of a bank’s liabilities on bills of exchange;
- the ratio of banks’ equity capital used for acquiring stakes (shares) of other legal entities.

The required standards, such as the maximum amount of the non-monetary part of authorised capital, the minimum reserves created for high-risk assets and the levels of foreign exchange, interest-rate and other risks, shall be established by other Bank of Russia enactments.

1. Minimum Bank Equity Capital

1.1. The minimum amount of authorised capital for a newly created bank shall be set as follows:

- an equivalent of 4.0 million ECU as of January 1, 1998;
- an equivalent of 5.0 million ECU as of July 1, 1998.

1.2. Minimum equity capital of a bank, determined as the sum of the bank's authorised capital, funds and retained profit, shall be set at an equivalent of 5 million ECU (from January 1, 1999).

1.3. Banks with equity capital equivalent to between 1 million ECU and 5 million ECU shall not:

- (a) conduct banking operations outside the Russian Federation (except open and keep correspondent accounts with nonresident banks to effect settlements on behalf of private individuals and legal entities);
- (b) conduct operations to attract and place precious metals;
- (c) open branches and create subsidiaries abroad;
- (d) own a stake in the capital of credit institutions exceeding 25 percent of the capital of these credit institutions.

2. Bank Equity Capital

2.1. Equity capital of a bank, used in calculating the required economic ratios, shall be determined as **the sum of:**

- the bank's authorised capital;
- the bank's funds;
- retained profit;

adjusted by the amount of:

- the reserve against possible losses on Risk Group 1 and Risk Group 2 loans;
- accrued coupon income received (paid out) in advance;
- revaluation of foreign-currency funds;
- revaluation of securities traded on the Organised Securities Market;
- revaluation of precious metals;

and reduced by the amount of:

- losses incurred;
- repurchased own shares;

- the excess of the authorised capital of the non-joint stock bank over its registered amount;
- the shortfall on the required reserve for possible loan losses;
- the shortfall on the required reserve for depreciation of investments in securities;
- credits, guarantees and sureties provided by the bank to its shareholders (partners) and insiders in excess of the established limits;
- the excess of expenditures on the purchase of tangible assets, including fixed assets, over the bank's own sources;
- deferred expenditures on interest accrued but not paid;
- accounts receivable with terms of more than 30 days;
- settlements with banking organisations on allocated funds.

Equity capital of a bank (C) is calculated by the following formula: 102 + 103 + 104 - 105 + 106 + 107 - 60319 + (61305 + 61306 + 61307 + 61308 - 61401 - 61405 - 61406 - 61407 - 61408) + (701 - 702) + (703 - 704 - 705) - code 8948 * - code 8949 - code 8965 - code 8967 + (code 8968 - code 8969) - code 8970 - code 8971.

3. Bank Equity Capital Adequacy Ratios

3.1. The assets of a bank are divided into five groups, depending on the level of investment risk and the risk of possible depreciation of investments, and the following risk ratios are established for these groups:

Group I	Risk Ratio
	(in percentages)
- funds in correspondent and deposit accounts with Bank of Russia: 30102, 319	0
- required reserves transferred to Bank of Russia: accts. 30202, 30204	0
- bank funds deposited for cheque settlements, acct. 30206	0
- unencumbered investments in government debt instruments and internal and external foreign exchange loan bonds, code 8972	0

* The procedure for calculating the codes is given in Supplement 1.

- cash and cash equivalents and precious metals in depositories and in transit, accts. 202, (20301-20308)A**, 204A	2
- Organised Securities Market settlement centres' accounts with Bank of Russia institutions, acct. 30106	0
- funds in accumulation accounts when stocks are issued, acct. 30208	0
- credit institutions' accounts for cash servicing of branches, acct. 30210	0

Group II

- loans guaranteed by Russian Federation Government, code 8973	10
- loans against Russian Federation government securities, code 8974	10
- loans secured by precious metals in bullions, code 8975	10
- funds at Organised Securities Market settlement centres, accts. 30402, 30404, 30409	10
- funds deposited with Organised Securities Market settlement centres to complete settlements on OSM transactions, acct. 30406	10

Group III

- investments in debt instruments of the constituent territories of the Russian Federation and local government authorities, acct. 502A	20
- hard-currency funds in correspondent accounts with nonresident banks of OECD*** member-countries, code 8976	20
- credits extended to nonresident banks of OECD member-countries, code 8977	20
- loans granted against securities issued by constituent territories of the Russian Federation and local government authorities, code 8978	20
- loans granted to customers by 100-percent foreign owned banks against guarantees received from OECD parent banks, code 8959	20
- funds in correspondent and deposit accounts in precious metals in OECD banks, code 8953	20

** The symbol "A" in the designation of the series 1 account indicates the sum of the balances calculated for all its series 2 real accounts. Similarly, the symbol "P" in the designation of the account indicates the sum of the balances calculated for all series 2 nominal accounts related to the given series 1 balance account.

*** The Organisation for Economic Co-operation and Development (OECD) comprises Australia, Austria, Belgium, Great Britain, Hungary, Germany, Greece, Denmark, Ireland, Iceland, Spain, Italy, Canada, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Portugal, the United States, Turkey, Finland, France, the Czech Republic, Switzerland, Sweden, South Korea and Japan.

Group IV

- funds in accounts with resident banks of the Russian Federation, acct. 30110	70
- funds in accounts with nonresident non-OECD and non-CIS banks, code 8979	70
- securities for resale, code 8980	70
- funds in correspondent and deposit accounts in precious metals with resident and nonresident non-OECD banks, code 8954	70

Group V

- all other bank assets	100
- unused credit lines, guarantees and sureties issued by the bank and off-balance sheet accounts: 91403,91404	50

Note.

(1) Group V assets comprise all other bank assets not represented in Groups I-IV. To make sure that Group V assets are calculated correctly one should subtract from the total sum of the bank assets (**A**) calculated in paragraph 4.4 the sums of the assets included in the calculation of Groups I-IV, **code 8970, code 8971.**

(2) Assets are weighted by risk by multiplying the balance (balance sums) in the corresponding balance account (accounts) or a part thereof by the risk ratio (in percent) divided by 100 percent.

3.2. The bank equity capital adequacy ratio (N1) is established as the ratio of the bank's equity capital to the overall risk-weighted assets minus the sum of the reserves created for depreciation of securities and possible losses on Risk Groups 3-5 loans:

$$N1 = \frac{C}{Ar - Rs - Rc - Rd} \times 100\%,$$

where

Ar is the sum of the bank's risk-weighted assets;

Rs is the total reserve created for depreciation of securities, calculated as the sum of the balances in accounts **50204, 50304, 50404, 50504, 50604, 50704, 50804, 50904, 51004 and 51104;**

Rc is code **8987;**

Rd is the reserve created for possible losses on other assets and on settlements

with debtors, accts. **47425** and **60324**.

The **minimum** level of **N1** is set depending on the amount of the bank's equity capital:

5m ECU and more	1m ECU to 5m ECU	less than 1m ECU
as of 01/02/98 - 7%	as of 01/02/98 - 7%	as of 01/02/98 - 7%
as of 01/02/99 - 8%	as of 01/02/99 - 9%	
as of 01/01/00 - 10%	as of 01/01/00 - 11%	

4. Bank Liquidity Ratios

Bank liquidity is the ability of a bank to meet its obligations on time.

To monitor bank liquidity, liquidity ratios (instant, current, long-term and general liquidity ratios and liquidity ratios for operations with precious metals) are established, which are calculated as the ratio between assets and liabilities, taking into consideration the terms, amounts and types of assets and liabilities and other factors.

4.1. **The instant liquidity ratio (N2)** is established as the ratio of the sum of the banks' highly liquid assets to the sum of the bank's liabilities on demand accounts:

$$N2 = \frac{L_{ai}}{D_{li}} \times 100\%,$$

where

L_{ai} is highly liquid assets, which are calculated as the sum of the balances in accounts **202, 20301...20308****, 30102, 30206, 30210, 30213, 30402, 30404, 30409, 319, 32201, 32210, 32301, 32310, 46001, 46101, 46201, 46301, 46401, 46501, 46601, 46701, 46801, 46901, 47001, 47101, 47201, 47301, -47418, code 8972, -code 8962;**

D_{li} is demand liabilities - 20 percent of (**20309, 20310, 301P, 30214, 304P, 30601, 30604, 31501, 31510, 31601, 31610, 317, 318, 40101, (40102-40103-40104), 40105...40107, <40108-40109>****, 402, 40301, 40302, 40309, 404, 405, 406, 407, 408, 40901...40905, <40907, -40908>, (409P-40906-40907-40911), 41001, 41008, 41101, 41108, 41201, 41208, 41301, 41308, 41401, 41408, 41501, 41508, 41601,**

**** “...” indicates that all values of the series 2 accounts are included in the count.

***** “< >” indicates here that only the excess of the balances with the + sign over the balances included in the expression with the - sign is included in the calculation.

41608, 41701, 41708, 41801, 41808, 41901, 41908, 42001, 42008, 42101, 42108, 42201, 42208, 42301, 42308, 42501, 42508, 42601, 42608, 42701, 42801, 42901, 43001, 43101, 43201, 43301, 43401, 43501, 43601, 43701, 43801, 43901, 44001, 47403, 47405, 47407, 47409, 47422, 52301, 60301, 60303, 60305, 60307, 60309, 60311, 60313, 60322) - code 8994.

The **minimum** value of the N2 ratio is set at **20%**.

4.2. **The current liquidity ratio (N3)** is established as the ratio of the sum of the bank's liquid assets to the sum of the bank's liabilities on demand accounts and accounts up to 30 days:

$$N3 = \frac{LAc}{DLc} \times 100\%,$$

where

LAc is liquid assets, calculated as the sum of highly liquid assets and balances in accounts LAi, 204, 30110, 30114, 30115, 30406, 32001...32004, 32101...32104, 32202...32204, 32302...32304, 44101...44103, 44201...44204, 44301...44304, 44401...44404, 44501...44503, 44601...44603, 44701...44703, 44801...44803, 44901...44903, 45001...45003, 45101...45103, 45201...45203, 45301...45303, 45401...45403, 45502, 45601, 45701, 46002, 46102, 46202, 46302, 46402, 46502, 46602, 46702, 46802, 46902, 47002, 47102, 47202, 47302, 51201, 51202, 51301, 51302, 51401, 51402, 51501, 51502, 51601, 51602, 51701, 51702, 51801, 51802, 51901, 51902, code 8951 and code 8989;

DLc is demand liabilities and liabilities up to 30 days:

DLi, 31201...31203, 31301...31304, 31401...31404, 31502...31504, 31602...31604, <40110-40111>, 40911, 41002, 41102, 41202, 41302, 41402, 41502, 41602, 41702, 41802, 41902, 42002, 42102, 42202, 42302, 42502, 42602, 42702, 42802, 42902, 43002, 43102, 43202, 43302, 43402, 43502, 43602, 43702, 43802, 43902, 44002, 52001, 52101, 52201, 52302, code 8991 and code 8993.

The **minimum** value of the N3 ratio is set at **50%**, starting from the balance-sheet as of February 1, 1998, and **70%**, starting from the balance-sheet as of February 1, 1999.

4.3. **The bank long-term liquidity ratio (N4)** is established as the ratio of the entire long-term debt to the bank, including guarantees and sureties with a maturity of more than a year, to the bank's equity capital and liabilities on deposit accounts, credits received and other debt liabilities with maturities exceeding 1 year:

$$N4 = \frac{Crd}{C + LD} \times 100\%,$$

where

Crđ is credits extended by the bank, funds invested in securities and debt instruments, deposits placed, including precious metals, with maturates of more than a year, and also 50% of the guarantees and sureties issued by the bank with maturities of more than 1 year, **code 8996**;

LD is the bank's liabilities on credits and deposits received by the bank and on its debt instruments traded in the market with maturities over 1 year: **31308, 31309, 31408, 31409, 31508, 31509, 31608, 31609, 41006, 41007, 41106, 41107, 41206, 41207, 41306, 41307, 41406, 41407, 41506, 41507, 41606, 41607, 41706, 41707, 41806, 41807, 41906, 41907, 42006, 42007, 42106, 42107, 42206, 42207, 42306, 42307, 42506, 42507, 42606, 42607, 42706, 42707, 42806, 42807, 42906, 42907, 43006, 43007, 43106, 43107, 43206, 43207, 43306, 43307, 43406, 43407, 43506, 43507, 43606, 43607, 43706, 43707, 43806, 43807, 43906, 43907, 44006, 44007, 52005, 52006, 52105, 52106, 52205, 52206, 52306, 52307, code 8997**.

The **maximum** value of the **N4** ratio is set at **120%**.

4.4. **The general liquidity ratio (N5)** is established as a percentage of liquid assets in the bank's aggregate assets:

$$N5 = \frac{LAc}{A - Rr} \times 100\%,$$

where

A is the total amount of all assets in the bank's balance sheet minus balances in accounts **105, 20319, 20320, 30302, 30304, 325, 40103, 40104, 40109, 40111, 459, 61404...61408, 702, 704, 705, code 8961**;

Rr is required reserves of the credit institution, accts. **30202 and 30204**.

The **minimum** value of the **N5** ratio is set at **20%**.

5. **Maximum risk per borrower or group of related borrowers (N6)** is established as a percentage of the bank's equity capital.

It is calculated by the following formula:

$$N6 = \frac{Crb}{C} \times 100\%,$$

where

Crb is the total amount of the bank's claims to a borrower or a group of related

borrowers on credits, discounted bills, loans and deposits in precious metals, the sums not recovered by the bank under its guarantees (**acct. 60315**) and also the bank's off-balance sheet claims (guarantees and sureties) to the particular borrower (borrowers), which must be settled in cash (off-balance sheet account 91404). These claims are included in the calculation with taking into account the extent of risk exposure (in accordance with the procedure for calculating **Ar**).

This ratio is also calculated for the total sum of the claims, including claims in precious metals (including 50% of the sum of off-balance sheet claims - guarantees and sureties), made to the bank which represents a borrower with regard to interbank credits.

The ratio is also calculated if the bank only acts as a guarantor or security (at 50% of the sum of off-balance sheet claims - guarantees and sureties) for any legal entity or private individual.

The **N6** ratio is not calculated for a shareholder (partner), either a legal entity or natural person, and for an insider. The ratios **N9** and **N10** are used for this category of borrowers.

Note.

(1) The total sum of the bank's claims to a borrower (borrowers) also includes:

- overdue loans registered in accounts **324A** and **458A**;

- overdue debt on operations with precious metals: **20317** and **20318**;

- the borrower's debt liabilities acquired and active balances in accounts **503, 504, 505, 506, 507, 514, 515, 516, 517, 518 and 519** (without interest on bills of exchange).

(2) **Related borrowers** are corporate and individual borrowers that are connected with one another economically and legally (i.e., borrowers that have common property and/or mutual guarantees and/or obligations and/or control one another's property and also an individual concurrently holding several senior executive positions) in such a way that the financial problems of one of the borrowers cause or may cause financial problems for another borrower (other borrowers). Control means direct or indirect (through subsidiaries) holding of more than 50 percent of the votes by a party (person) or the ability to control more than half of the votes under a special agreement with other shareholders or in accordance with the charter, that is one party (person) is capable of controlling another and may significantly influence its financial and day-to-day decisions.

The **maximum N6** ratio is set at **25%**.

6. **Maximum big credit risk (N7)** is established as a percentage of the total amount of big credit risks and the bank's equity capital.

A big credit is the total sum of the bank's risk-weighted claims to one borrower

(or a group of related borrowers) on credits, taking into account 50% of the sum of off-balance claims - guarantees and sureties held by the bank with regard to one borrower (or a group of related borrowers), exceeding 5% of the bank's equity capital.

A big credit risk is calculated by the following formula:

$$N7 = \frac{Cacr}{C},$$

where

Cacr is the aggregate amount of big credits extended by the bank (**code 8998**).

Note.

The decision to extend a big credit or loan must be made by the board of the bank or its credit committee, taking into account the opinion of the bank's credit department. The decision to extend a big credit or loan should be formalised by corresponding documents.

The aggregate amount of big credits and loans extended by the bank, including related borrowers and taking into account 50 percent of off-balance claims (guarantees and sureties) may not exceed the bank's capital **more than 10 times in 1997 and more than 8 times in 1998**.

7. **Maximum risk per creditor (depositor) (N8)** is established as a percentage of the deposits or credits received by the bank, guarantees and sureties and balances on the accounts of one creditor (depositor) or related creditors (depositors) in the bank's equity capital:

$$N8 = \frac{Odep}{C} \times 100\%,$$

where

Odep is the aggregate amount of the bank's obligations on deposits, credits and loans received, precious metal deposits, guarantees and sureties (50%) and balances on settlement and current accounts and accounts on operations with securities of one creditor (depositor) or a group of related creditors (depositors).

Note.

(1) This ratio is also calculated on the basis of the aggregate amount of claims to another bank acting as a creditor (depositor) with regard to the particular bank.

(2) Balances on budget accounts and bills of exchange issued by the bank, account **523**, are not included in the count of the aggregate amount of liabilities (**Odep**).

(3) One-hundred percent foreign-owned banks should not include passive balances on balance accounts **314** and **316** in the **Odep** count.

(4) In the case of banks that are subsidiaries to OECD-countries' companies, maximum risk per creditor (**N8**) may not be calculated for parent companies.

The **maximum N8** ratio is set at **25%**.

8. **Maximum risk per borrower-shareholder (partner) (N9)** is established as the ratio of the amount of credits, guarantees and sureties issued by the bank to its partners to the bank's equity capital:

$$N9 = \frac{Crs}{C} \times 100\%,$$

where

Crs is the aggregate amount of all risk-weighted claims by the bank (off-balance claims included) to one corporate or individual shareholder (partner) of the bank or a group of related corporate or individual shareholders (partners) of the bank.

Note.

(1) The aggregate amount of the bank's claims to the bank's shareholders (partners) also comprises overdue claims registered in accounts **324, 458, 20317 and 20318**.

(2) The aggregate amount of the bank's claims to the bank's shareholders (partners) also comprises the acquired debt instruments of the bank's shareholders (partners) and active balances on accounts **503, 504, 505, 506, 507, 514, 515, 516, 517, 518 and 519** (excluding interest on bills of exchange).

(3) **Related shareholders** are corporate and individual shareholders connected with one another economically and legally (i.e., having common property and/or mutual guarantees and/or obligations, and/or controlling one another's property and also an individual concurrently holding several senior executive positions) in such a way that the financial problems of one of the shareholders cause or may cause financial problems for another shareholder (other shareholders). Control means direct or indirect (through subsidiaries) holding of more than 50% of votes by a party (person) or the ability to control more than half of the votes under a special agreement with other shareholders or in accordance with the charter, that is one party (person) is capable of controlling another and may significantly influence its financial and day-to-day decisions.

The **maximum N9** ratio is set at **20%**.

9. **The aggregate amount of credits and loans (N9.1)**, extended to the bank's shareholders (partners), may not exceed **50%** of the bank's equity capital from January 1, 1998.

10. **The maximum amount of credits, loans, guarantees and sureties issued by the bank to its insiders (N10)** is calculated by the following formula:

$$N10 = \frac{Cri}{C} \times 100\%,$$

where

Cri is the total sum of the bank's claims (including off-balance claims - 50% of guarantees and sureties) to insiders and persons connected with them.

In accordance with international practices, **insiders** comprise the following individuals: shareholders who own more than 5% of shares, directors (presidents, chairmen and their deputies), Board members, members of the credit council (committee), senior executives of subsidiary and parent structures and other persons who may influence the decision to issue credit, and also relatives of insiders, former insiders and other persons participating in outside structures, in which insiders participate too.

The **maximum N10 ratio per insider** and related persons is **2%**.

11. **The aggregate amount of credits and loans extended to insiders (N10.1)** may not exceed **3%** of the bank's equity capital.

12. **The maximum amount of household monetary deposits (N11)** is established as a percentage of the total sum of household monetary deposits and the bank's equity capital:

$$N11 = \frac{Dep}{C} \times 100\%,$$

where

Dep is the aggregate sum of household deposits, accounts **423,426, 522, code 8999**.

The **maximum N11 ratio** is **100%**.

The banks for which the regional branches of the Bank of Russia have established quarterly **N11** levels in accordance with paragraph 9 of Bank of Russia Instruction No. 1 of January 30, 1996, must comply with these levels by January 1, 1999.

13. **The ratio of the bank's equity capital used for the purchase of stakes (shares) in other legal entities (N12)** is established as a percentage of the bank's invested funds and equity capital.

$$N12 = \frac{Cin}{C} \times 100\%,$$

where

Cin is the bank's own funds invested in the purchase of stakes (shares) in other legal entities, the sum of the balances in accounts **50803, 50903, 51003, 51103, 601 and 602**.

The **maximum N12** ratio is **25%**.

The bank's own funds invested in the purchase of stakes (shares) of **one legal entity (N12.1)** may not exceed **10%** of the bank's equity capital (banks must submit data to the regional branches of the Bank of Russia in the format shown in Supplement 2).

14. **The bank's own bill of exchange liability risk ratio (N13)** is established in percentage as follows:

$$N13 = \frac{BL}{C} \times 100\%,$$

where

BL is the bills of exchange and bills of acceptance issued by the bank, account **523** and **50%** of the bank's off-balance liabilities arising from the endorsement of bills, sureties and bill brokerage (**code 8960**).

The **maximum N13** ratio is **100%**.

15. **The liquidity ratio for operations with precious metals (N14)** is calculated by the following formula:

$$N14 = \frac{LApm}{DLpm} \times 100\%,$$

where

LApm is highly liquid assets in the form of precious metals, accounts **20301...20308**;

DLpm is demand liabilities in precious metals and precious metal liabilities callable within the next 30 days (**code 8957**).

The **minimum N14** ratio is **10%**.

16. **Banks should submit reports on compliance with the N6, N8, N9, N10 and N12.1 ratios** in the format established by the regional branch of the Bank of Russia, which, in the event of noncompliance with these ratios, sends to the Prudential Banking Supervision Department a consolidated report on each bank in the format shown in

Supplement 3.

17. The required ratios **for newly-created banks**, which have been in operation for six months after their registration, are as follows:

- N1 minimum is 8%,**
- N2 minimum is 20%,**
- N3 minimum is 70%,**
- N4 maximum is 120%,**
- N5 minimum is 20%,**
- N6 maximum is 25%,**
- N7 maximum is 8 times,**
- N8 maximum is 25%,**
- N9 maximum is 20%,**
- N9.1 maximum is 50%,**
- N10 maximum is 2%,**
- N11 maximum is 100%,**
- N12 maximum is 25%,**
- N12.1 maximum is 10%,**
- N13 maximum is 100%,**
- N14 minimum is 10%.**

18. Monitoring Compliance with Required Ratios

Monitoring compliance with required ratios by banks is the duty of the regional branches of the Bank of Russia at the place of opening the correspondent account by the bank.

The monitoring is implemented on the basis of the banks' monthly balance sheets, which should have attached to them calculations of the actual values of required ratios and breakdowns of individual balance-sheet accounts, signed by the bank's chief executive and chief accountant. Having considered the monthly balance-sheets and actual ratio calculations within 10 days, the regional branch of the Bank of Russia compiles a report, which is subsequently considered by its chief executive for making a decision.

Banks that have had their banking licences revoked may not calculate the required ratios.

Should a bank violate any required ratios, the regional branch of the Bank of Russia applies sanctions against it in accordance with Article 75 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia).

To prevent the deterioration of the financial position of banks that have lost their equity capital a penalty such as a fine is not applied.

Should a bank end up with negative or zero capital, the regional branch of the Bank of Russia submits to the Prudential Banking Supervision Department an analytical memo reporting the measures being taken to pull the bank out of the crisis and prospects for its future.

In accordance with legislation, banks are liable for authenticity and correct calculation of the required ratios and breakdowns of individual balance accounts for the calculation of ratios. The regional branches of the Bank of Russia have the right to inspect banks in order to make sure that they present correct and authentic information for required ratio calculations.

**Chairman of the Central Bank
of the Russian Federation**

Sergei K. Dubinin

BREAKDOWN**of Individual Balance Accounts for Calculating Required Ratios of ... Bank**

Description	Code	Amount (thou Rbl.)	Data used in calculation of ratios
1	2	3	4
Credits, guarantees and sureties extended by bank to partners (shareholders) and insiders in excess of limits set by N9, N9.1, N10 and N10.1 ratios	8948		N1(C)
Shortfall on reserves for possible loan losses and depreciation of investments in securities (difference between reserves required by Bank of Russia regulations and actual reserves)	8949		N1(C)
Precious metals in correspondent accounts	8951		N3 and N5
Precious metals in correspondent and deposit accounts of OECD banks, part of acct. 20316	8953		N1(Ar)
Precious metals in correspondent and deposit accounts of Russian resident and nonresident non-OECD banks, part of accts. 20315 and 20316	8954		N1 (Ar)
Bank liabilities in precious metals on deposit accounts, demand accounts and accounts due within next 30 days, parts of accts. 20309, 20310, 20313 and 20314	8957		N14
Loans granted to customers by 100% foreign-owned banks under guarantees from OECD parent banks	8959		N1(Ar)
Bank liabilities arising from endorsement of bills, sureties and bill brokerage, part of off-balance account 91404 (50%)	8960		N13

Unpaid interest on bills, part of accounts 51208, 51209, 51308, 51309, 51408, 51409, 51508, 51509, 51608, 51609, 51708, 51709, 51808, 51809, 51908 and 51909	8961		N5
Balance account 30102 with regard to amounts attached	8962		N2
Balances on balance account 104 in excess of registered authorised capital of non-joint stock bank	8965		N1(C)
Balances on account 10601 in excess of bank property revaluated before January 1, 1997	8967		N1(C)
Reserves for possible losses on risk group 1 and group 2 loans, part of accts. 32010, 32110, 32211, 32311, 32403, 44210, 44310, 44410, 44509, 44609, 44709, 44809, 44909, 45009, 45109, 45209, 45309, 45409, 45508, 45607, 45707, 45818, 46008, 46108, 46208, 46308, 46408, 46508, 46608, 46708, 46808, 46908, 47008, 47108, 47208 and 47308	8968		N1(C)
Balances on account 61404 within amount indicated by code 8968	8969		N1(C)
Accounts receivable after 30 days, registered in accounts 474A, 60312, 60314, 60315 and 60322	8970		N1(C)
Sum of debit balances on accounts 604, 605, -606P, 607, 608 (A-P), 609 (A-P), 610, 611 (A-P), exceeding bank's own sources: 102, 103, 104, -105, 60103, 107, 701, -702, 703, -704, -705	8971		N1(C)
Investments in government debt instruments and domestic and foreign currency loan bonds which are not security for credits received by banks, part of acct. 501	8972		N1(Ar), N2, N3, N5
Government-guaranteed loans	8973		N1(Ar)
Loans against government securities	8974		N1(Ar)
Loans secured by precious metals in bullions	8975		N1(Ar)

Hard-currency funds in correspondent accounts with nonresident OECD banks, part of acct. 30114	8976		N1(Ar)
Credits extended to nonresident OECD banks, part of acct. 321A	8977		N1(Ar)
Loans against securities of constituent territories of the RF and local government authorities	8978		N1(Ar)
Funds in nonresident non-OECD bank accounts, part of accts. 30114 and 321A, excluding balances on CIS countries' accounts	8979		N1(Ar)
Securities for resale that have been on balance sheet for less than 6 months, part of accts. 50301, 50302, 50401, 50402, 50501, 50502, 50601, 50602, 50701, 50702, 50801, 50802, 50901, 50902, 51001, 51002, 51101 and 51102	8980		N1(Ar)
Difference between reserve for possible losses on risk group 3-5 loans and balance on account 61404 with regard to fund not included in capital count: accts. 32010, 32110, 32211, 32311, 32403, 44210, 44310, 44410, 44509, 44609, 44709, 44809, 44909, 45009, 45109, 45209, 45309, 45409, 45508, 45607, 45707, 45818, 46008, 46108, 46208, 46308, 46408, 46508, 46608, 46708, 46808, 46908, 47008, 47108, 47208, 47308, -61404	8987		N1
Debt to bank coming due within next 30 days:	8989		N3, N5
(a) deposits and loans in precious metals: parts of accounts 20311, 20312, 20315 and 20316;			
(b) credits and deposits at banks: parts of accts. 319, 32005...32009, 32105...32109, 32205...32209, 32305...32309;			
(c) overpaid amounts to be returned to bank as of accounting date from the required reserve fund, parts of accts. 30202 and 30204;			

(d) credits to other borrowers (excluding prolonged credits), parts of accts. 40308, 44104...44108, 44205...44209, 44305...44309, 44405...44409, 44504...44507, 44604...44607, 44704...44708, 44804...44808, 44904...44907, 45004...45008, 45104...45108, 45204...45208, 45304...45308, 45404...45408, 45503...45507, 45602...45606, 45702...45706, 46003...46007, 46103...46107, 46203...46207, 46303...46307, 46403...46407, 46503...46507, 46603...46607, 46703...46707, 46803...46807, 46903...46907, 47003...47007, 47103...47107, 47203...47207, 47303...47307;			
(e) accounts receivable;			
(f) payments to bank on debt instruments: parts of accounts 502A, 503A, 504A, 505A, 506A, 507A, 51203...51207, 51303...51307, 51403...51407, 51503...51507, 51603...51607, 51703...51707, 51803...51807, 51903...51907			
Bank liabilities coming due (expiring) within next 30 days:	8991		N3
(a) customers' deposits and accounts in precious metals: part of accts. 20309, 20310, 20313 and 20314			
(b) banks' credits and deposits: accts. 31204...31206, 31305...31309, 31405...31409, 31505...31509, 31605...31609;			
(c) deposits: part of accts. 41003...41007, 41103...41107, 41203...41207, 41303...41307, 41403...41407, 41503...41507, 41603...41607, 41703...41707, 41803...41807, 41903...41907, 42003...42007, 42103...42107, 42203...42207, 42303...42307, 42503...42507, 42603...42607, 42703...42707, 42803...42807, 42903...42907, 43003...43007, 43103...43107, 43203...43207, 43303...43307, 43403...43407, 43503...43507, 43603...43607, 43703...43707, 43803...43807, 43903...43907, 4003...44007;			
(d) bills, bonds, certificates of deposit and savings certificates by banks, part of accts. 52002..., 52006, 52102...52106, 52202...52206, 52303...52307			

Guarantees and sureties issued by bank with obligations coming due within next 30 days, part of off-balance sheet account 91404 (50%)	8993		N3
Sums payable in more than 30 days (dividends and taxes); Government-allocated funds for investment and defence-conversion programmes	8994		N2, N3
Long-term loans (more than 1 year), including overdue loans (accounts minus Government-guaranteed loans, code 8973, against government securities, code 8974, against precious metals, code 8975, against securities of constituent territories of the RF and local government authorities, code 8978, with regard to long-term loans). Also included are 50% of guarantees and sureties issued by bank for terms more than 1 year, part of off-balance sheet account 91404.			
Deposits and loans in precious metals with terms of more than 1 year: accts. 20311, 20312, 20315, 20316, 20317 and 20318	8996		N4
Bank liabilities falling due more than 1 year:	8997		N4
(a) bank liabilities in precious metals: part of accts. 20309, 20310, 20313 and 20314;			
(b) on Government-allocated funds for investment projects			
Aggregate amount of bank's big credits and loans, taking into account 50% of off-balance sheet claims (guarantees and sureties)	8998		N7
Credit institutions liabilities pertaining to personal funds: parts of accts. 20309, 20310, 520 and 523	8999		N11

Chief Executive (Officer)

(full name)

Chief Accountant

(full name)

**Bank's Own Funds Invested in Purchase of Stakes
(Shares) of One Legal Entity (N12.1)**

(in thou roubles)

Name of Organisation	acct. 601	acct. 602	acct. 50803	acct. 50903	acct. 51003	acct. 51103	Total	% of capital
1	2	3	4	5	6	7	8	9

Total for Bank

CEO

(full name)

Chief Account

(full name)

CONSOLIDATED STATEMENT
on Violations by Bank of N6, N8, N9, N10 and N12.1 Ratios

I. Maximum risk per borrower or group of related borrowers (N6)

No of borrowers with regard to whom N6 was violated	Sum of credits extended to these borrowers (thou roubles)	Total sum of credits extended by bank	Proportion of total credits column 2 ----- x 100% column 3
1	2	3	4

II. Maximum risk per creditor (depositor) (N8)

No of creditors (depositors) with regard to whom N8 was violated	Sum of bank liabilities with regard to these creditors (depositors) (thou roubles)	Total bank liabilities (thou roubles)	Proportion of total liabilities column 2 -----x 100% column 3
1	2	3	4

III. Maximum amount of credits, guarantees and sureties extended by bank to partners (shareholders) and insiders (N9 and N10)

A

No of shareholders (partners) with regard to whom N9 was violated	Sum of credits extended to these share-holders (partners) (thou roubles)	Total sum of credits extended to shareholders (partners) (thou roubles)	Proportion of total credits column 2 -----x 100% column 3
1	2	3	

B

No of insiders with regard to whom N10 was violated	Sum of credits extended to these insiders (thou roubles)	Total sum of credits insiders (thou roubles)	Proportion of total credits column 2 -----x 100% column 3
1	2	3	4

IV. Maximum bank equity capital invested in purchase of stakes (shares) of one legal entity (N12.1)

No of legal entities with regard to whom N12.1 was violated	Sum of stakes (shares) of legal entities with regard to which N12.1 was violated (thou roubles)	Total stakes (shares) acquired by bank (thou roubles)	Proportion of total stakes (shares) column 2 -----x 100% column 3
1	2	3	4