



Bank of Russia

EXPERIMENT ON PARTNERSHIP FINANCING IN RUSSIA: SPECIAL LEGAL REGULATION

Financial Market Strategy Department

September, 2023





On September 1, 2023 an **experiment on partnership financing started in Russia***

Objectives of the experiment on partnership financing

- ✓ Testing partnership financial products in order to adapt them to the Russian financial market
- ✓ Creating favourable legal conditions for partnership financial products development in Russia



Islamic Financial Services Board (IFSB) approved the Bank of Russia's application to join the IFSB as an Associate member at its 42nd Annual Meeting held on August 16, 2023



Russia is a multinational and multireligious country

Islam is one of confessions. At present, according to estimates, the number of Muslims in Russia may be close to 20 mln. A sizeable share of Russian Muslims reside in the territory of the experiment.

* On September 1, 2023 Federal Law of 04/08/2023 № 417-FZ "On the experiment in introducing special regulation to create necessary conditions for partnership financing activities in individual constituent territories of the Russian Federation and on amending certain laws of the Russian Federation" came into force (referred to herein as the PF Law)



The experiment covers the following territories:

- the Republic of Bashkortostan (4,1 mln inhabitants)
- the Republic of Dagestan (3,2 mln inhabitants)
- the Republic of Tatarstan (4 mln inhabitants)
- the Chechen Republic (1,5 mln inhabitants)

Duration:

Two years
from **September 1, 2023** till **September 1, 2025**



Any **legal person** who is a **permanent resident of the Russian Federation** and **whose domicile**, or its branch, is within **the territory of the experiment** can participate in the experiment. If a credit organisation has an **office** within the territory of the experiment this organisation **can also become its participant**.

Credit organisation

Non-credit financial
organisation

Autonomous nonprofit
organisation

Consumer cooperative

Public benefit fund

Company or partnership



Participants in the experiment **can**:

- engage in partnership financing alongside with other activities** subject to conformity with the PF Law and other laws requirements
- In contractual and other types of documentation, **define remuneration as a variable value**, which depends on the outcome of deals (operations)



Participants in the experiment **cannot**:

- In contractual and other types of documentation, **define remuneration as a rate of interest**
- refuse to render a service on the grounds of social status, race, nationality, language, or religion**
- finance** production of tobacco and alcoholic goods, arms, ammunition, and trading in such goods, as well as finance the gambling industry
- contribute borrowed funds and encumbered assets to the authorised (joint, share) capital

A participants other than credit and non-credit financial organisations

-  minimum own equity (net assets): at September 1, 2023 – **RUR10 mln**;
at **January 1, 2024 – RUR15 mln**
-  **CEO** must comply with **fit and proper requirements**
-  **Owners** must comply with **fit and proper requirements**



Deals (operations) that participants in the experiment are authorised to conduct (PF Law, article 2)*



raising funds and/or assets from natural and legal persons in a form of advances, bonds, trust financing, and/or contribution to the authorised (joint, share) capital of the experiment participant



extending monetary advances to natural and legal persons



financing natural and legal persons by way of purchase and sale of goods (including real estate) on condition of instalment or deferred payment and remuneration for instalment or deferred payment



financing natural and legal persons by way of leasing, contribution to the authorised (joint, share) capital of legal persons, joint undertakings as a general partnership or investment partnership



issuing guarantees on behalf of third parties

* In jurisdictions where the constriction of Islamic finance is applied such deals may be termed as [qard \(current accounts, payment card etc.\)](#), [sukuk](#), [mudharaba](#), [musharaka](#), [murabaha](#), [musawamah](#), [ijara](#), [kafala](#).

Participants in the experiment may not **set remuneration as a rate of interest** in their deals (operations)

! Shall **credit and non-credit financial organisations** conclude agreements of purchase and sale of goods (including real estate) on condition of instalment payment, such activity will **not be deemed as violation of commercial engagement restrictions** established in specific law governing such organisations



How to submit documents required for inclusion in the Bank of Russia register

Questions	Answers
What act of the Bank of Russia regulates the procedure of entering legal persons in the register of experiment participants?	<ul style="list-style-type: none">✓ Directive of the Bank of Russia of 11/08/2023 № 6503-U “On the maintaining by the Bank of Russia of the register of participants in the experiment in introducing special regulation to create necessary conditions for partnership financing activities” (referred herein as Directive № 6503-U)
How can credit or non-credit financial organisation submit documents to the Bank of Russia?	<ul style="list-style-type: none">✓ An applicant who is a credit or non-credit financial organisation is obliged to submit to the Bank of Russia an application through the account accessible by a link on the official web site of the Bank of Russia on the Internet✓ The documents must be submitted in electronic form as *.pdf files signed with a enhanced qualified electronic signature of the applicant or another authorised person
How can an organisation other than a credit or non-credit financial organisation submit documents to the Bank of Russia?	<ul style="list-style-type: none">✓ An applicant who is not a credit or non-credit financial organisation may submit its application and documents through the account or on paper by registered post mailing with a delivery notice (or a different type of registered post)✓ To arrange for an account, the applicant shall make a relevant request at the official web site of the Bank of Russia✓ The application and attached documents made on paper must conform to requirements of subpoints 6.1 – 6.3 of Directive № 6503-U



In what cases will the Bank of Russia refuse to entry an organization in the register? Is it possible to apply repeatedly?

Questions	Answers
In what cases will the Bank of Russia refuse entry in the register of the experiment participants?	<p>The Bank of Russia will refuse entry in the register of experiment participants in the presence of at least one of the following conditions:</p> <ul style="list-style-type: none">✓ non-conformity of the submitted documents to Directive № 6503-U✓ submission of an incomplete set of documents or false information✓ non-conformity of the legal person, its shareholder (participant) to the requirements of law✓ presence of the legal person, its CEO and/or shareholder (participant) on the list of organisations and natural persons regarding which there is information of involvement in extremist activities
What is the time frame within which the Bank of Russia takes a decision about entering (refusal to enter) information of a legal person in the register? How does the applicant learn about it?	<ul style="list-style-type: none">✓ The Bank of Russia takes decision within 30 working days from the date of receipt of the application and attached documents (part 3 clause 4 of the PF Law)✓ Not later than one working day from the date of decision to enter information on the legal person in the register, the Bank of Russia makes the respective entry and, not later than three working days from the date of decision to enter information on the legal person in the register (refusal of entry), sends a notice thereof to the applicant.✓ Concurrently with sending a notice of entering information on the legal person in the register, the Bank of Russia sends an extract from the register to the applicant
Is it possible to apply repeatedly for entering the register of the experiment participants?	<ul style="list-style-type: none">✓ Shall the Bank of Russia decline the application and refuse to enter relevant information in the register, the applicant is allowed to submit another application in the future



Powers of the Bank of Russia

1



Maintains the register of the experiment participants, determines the procedures of such maintenance, the entering and excluding of the participants

2



Regulates the activities of the experiment participants, oversees and supervises them

3



Establishes requirements to separate accounting of assets raised within the framework of the experiment as well as assets of other types of activities and own property

4



Receives from the experiment participants essential information of the activities as well as accounting (financial) reports

5

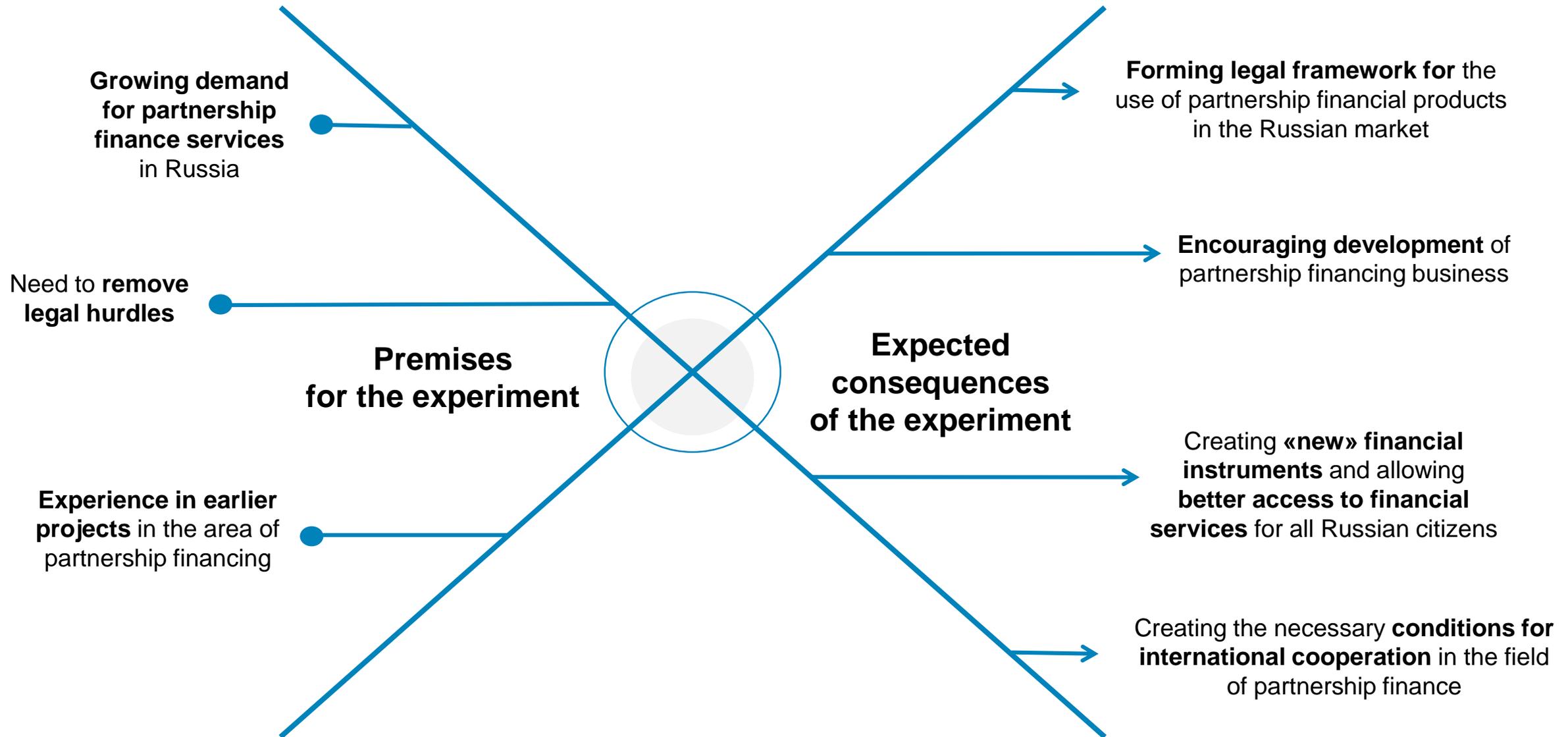


Establishes the procedure of informing customers of an experiment participant about its activity; requirements to preparing and presenting reports by the experiment participants

6



Exercises other powers provided for in the PF Law



THANK YOU FOR YOUR ATTENTION

Further questions related to the entering and excluding of the participants in the register may be addressed to:

-  **Mr Vadim Bikbulatov**, Head of unit, Department of Market Access and Activity Termination of Financial Institution (bikbulatovvr@cbr.ru, +7-917-365-34-77)
-  **Ms Nataliya Gavrishева**, Economic Advisor, Department of Market Access and Activity Termination of Financial Institution (gno@cbr.ru, +7-495-771-90-75)

Any further questions related to the partnership financing experiment may be addressed to:

-  **Ms Yulia Mazurova**, Head of unit, Financial Market Strategy Department (mazurovayua@cbr.ru, 8-800-250-40-88, ext. 7-37-77)
-  **Mr Roman Novikov**, Deputy director – Head of division, Microfinance Market Department (novikovrv@cbr.ru, 8-800-250-40-88 ext. 7-40-11)