

HERALD

2 (7) | 2019

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Award

«Financial and Banking Elite of Eurasia»

November 2019

Nominations 2019:

- 1 BANKER OF THE YEAR**
(for personal contribution to the development of banking business)
- 2 STANDARD OF STABILITY**
(bank leader on sustainable development, stability, holder of international and country ratings)
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(bank leader in the implementation of modern IT technologies)

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Alexander Murychev,
Chairman of Editorial Board
of the magazine "Eurasian
Financial and Economic Herald"

Dear colleagues and friends!

Winter is behind us, summer is coming soon - and the past period we have tried to fill with vigorous activity aimed at the further development of the FBA EAC so it remains an effective business platform for interaction between representatives of various sectors of the Eurasian economy.

Perhaps, the important thing to note is the growing potential of the Association. In fulfilling the mission to integrate the economic space of Eurasia, we cannot but look ahead, cannot fail to take into account future transformations in the world of the economy, and the past period clearly testifies to this: now the Association is not just confidently solving its tasks - its activities cover more and more ways and areas of economics. So, at present, a large-scale system of relations between the business and the banking community is already being built within the framework of the FBA EAC, and many of our projects have grown into full-fledged areas of its activities.

These and other achievements were noted by the participants of the annual General Meeting of the members of FBA EAC, held in March. There we also looked to the future, approved a range of tasks for the next five years.

The important event for all of us has become XII Russian Business Week which is annually held by the Russian Union of Industrialists and Entrepreneurs. Within the framework of the Week, the traditional RSPP Congress was held, attended by the President of the Russian Federation V. Putin.

More information about these events can be found in this issue of the Herald, which by tradition we have tried to fill with interesting and diverse materials covering the most important issues of the economy and the financial and banking sphere. Readers find out about the coming implementation of professional standards in the Russian economy, the large-scale project of the Euro-Asian digital platform Digital Belt, cryptocurrencies and risks associated with them, as well as the digital transformation of the banking system and the problems of regulating financial technologies. We have not forgotten about leisure - our photo contest continues and we look forward to works from amateur photographers from different parts of the world.

Time doesn't wait - and the Association tries to keep pace with it. That is why there are still a lot of events ahead of us, which we will definitely continue to talk about on the pages of the Herald.

See you next time!

Best regards,

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GEOFFROY ROUX DE BÉZIEUX:

«MEDEF – THE FLAGSHIP OF FRENCH BUSINESS»

THE FRENCH BUSINESS MOVEMENT (MOUVEMENT DES ENTREPRISES DE FRANCE - MEDEF) – IS THE MOST IMPORTANT REPRESENTATIVE OF THE FRENCH BUSINESS. WITH 800 000 ENTERPRISES MORE THAN 95% OF WHICH ARE SMES MEDEF IS A RECOGNIZED AND NECESSARY PARTNER OF THE FRENCH GOVERNMENT.

MEDEF IS MAINLY FOCUSED ON JOB CREATION AND SUSTAINABLE DEVELOPMENT, WHILE IN A CONTEXT OF FAR-REACHING CHANGES (ECONOMIC, DEMOGRAPHIC, DIGITAL, SOCIAL), ITS MISSION IS TO PROMOTE FREE ENTERPRISES AND ENCOURAGE AND ENHANCE ENTREPRENEURSHIP.

IN ORDER TO ACHIEVE THIS GOAL MEDEF TAKES INITIATIVES THAT ENABLE BUSINESSES TO BENEFIT FROM A FAVORABLE LEGISLATIVE AND REGULATORY ENVIRONMENT IN THE ECONOMIC, FISCAL, LABOUR, ENVIRONMENTAL, AND SOCIAL FIELDS AND TO DEPLOY THEIR ACTIVITIES BOTH IN FRANCE AND ABROAD. ONE OF THESE INCENTIVES IS MEDEF INTERNATIONAL AIMED TO SUPPORT FRENCH COMPANIES ABROAD, SET COOPERATION WITH STATE LEADERS AND PRIVATE SECTOR OF MANY COUNTRIES. EVERY YEAR MEDEF INTERNATIONAL ARRANGES DELEGATIONS OF FRENCH BUSINESS-LEADERS TO THE TARGETED COUNTRIES AS WELL AS WELCOMES IN FRANCE THE LEADERS OF COUNTRIES AND GOVERNMENTS, MINISTERS OF ECONOMY, FINANCE, REGIONAL AND LOCAL AUTHORITIES.

MEDEF PROMOTED THE PRINCIPLES OF “SUSTAINABLE DEVELOPMENT” RAISING THE AWARENESS THAT THE PROTECTION OF THE ENVIRONMENT CAN BE A COMPETITIVE ADVANTAGE. SINCE JULY 2018 **GEOFFROY ROUX DE BÉZIEUX**, A FAMOUS FRENCH BUSINESSMAN HAS BEEN THE HEAD OF MEDEF.

– Recently on July 3, 2018 you became the President of the French Business Movement MEDEF. MEDEF is the leading network of entrepreneurs in France including the international level. The organization promotes trade, technological cooperation, investing, creates long-term partner relations especially on the developing markets, sets direct contacts with state leaders and private sector of many countries. Could you dwell upon the mission and the goals of MEDEF?

– The leading role of the Western economies including the French one is facing a challenge. The French companies and enterprises have to work in the situation of large-scale geopolitical, ecological, technological and social changes. They have to structure new economic models in the conditions of international competition, to pursue production in France with reduced resources and energy breakthrough.

French enterprises also have to quickly introduce digital technologies, which have become part of every-day life for their clients, suppliers, partners and employees.

In addition to the above mentioned French companies have to take into account the changes in the society including high unemployment among young people, numerous migration flows as well as the high mobility of goods and capital.

It is important that business has the answers to all the challenges that our society is facing. With the current social, economic and ecological situation businessmen find the most innovative solutions. And we all have to take our stand in order to play the main role in the context of the circumstances.

MEDEF is an integral player of the process. Our slogan is “Act together for sustainable development”. This slogan also supports the general mission of MEDEF defined in the valid charters. Being written 20 years ago they couldn’t take into account today’s Europe, the sustainable development, or the corporate social responsibility (CSR).

In achieving these goals the updated MEDEF works to be an example and take the responsibility for observance of public interests in Europe – reaching all the corners of France for better understanding of economic realities and representing all enterprises, tackling all issue referring to the society.

– How do you structure your work in France and beyond?

– MEDEF as a voice of all French companies is the main partner of the authorities: we advocate the interests of businesses in all economic and social agencies – on the local, regional and national levels, convey to the authorities the opinions of the entrepreneurs to improve the conditions of their work.

MEDEF is also represented in Brussels and beyond France.

The House of French enterprises in Brussels represents MEDEF and its members in Eurocommission and Europarlament. MEDEF is also the member of Business Europe which includes all 40 European management trade unions. At the European level we work on better integration and the development of common market of the EU.

Besides the branch MEDEF International assists the French companies in promoting their position internationally in particular in the developing countries. Every year we arrange about 200 meetings and delegations with the highest authorities and private sector, we have 85 geographical councils embracing 150 countries.

– Proceeding with the international activity of MEDEF, what is the cornerstone of the cooperation and joint projects of the French companies and companies from other countries?

– Firstly, MEDEF unlike the British, German or Italian corresponding institutes is the only organization representing all sectors of economy at once – industry, banking sector, insurance, services and so on. We always take this into account in our work.

Secondly, we closely cooperate with our European and global partners in different formats – from the work in inter-European (Business Europe) and international (Global Business Coalition, Business at OECD, ICC) organizations to the cooperation with informal groups (B7, B20) and within bilateral agreements with similar organizations of other countries – Germany, Italy, Israel, Mexico... This joint activity allows to share our solutions, to connect the French companies with foreign partners and to develop common positions in accordance with current events in the economy and trade.

It’s not always easy. We have to be open, flexible, diplomatic, especially when our points of view and interests differ. On the whole the negotiations

ABOUT THE AUTHOR

Geoffroy Roux de Bézieux

Graduate of ESSEC and a DESS at the Université Paris-Dauphine Geoffroy Roux de Bézieux has more than 22-year experience as an entrepreneur. In 1996 he founded The Phone House – the first chain of shops entirely dedicated to mobile phones. In 2004 he pursued his career by founding Omea Telecom which started the first alternative mobile operator (MVNO) Breizh Mobile. Ten years later, in 2014 Geoffroy Roux de Bézieux founded Notus Technologies, a group active in the agri-food industry, leisure and new technologies.

He is a Vice-President of the Peugeot SA industrial group supervisory board and a Parrot board member. He has also spent time as a board member at IMS, Seloger.com, Micromania, Budget Telecom, and Nocibé.

Since 2000 Geoffroy Roux de Bézieux has been an Angel investor for many start-ups contributing to the rise of French Tech. In 2009 he created ISAI with Pierre Kosciuzko-Morizet, Ouriel Ohayon and Stéphane Treppoz, an investment fund for Internet entrepreneurs.

Between 2003 and 2008 he was vice-president then president of CroissancePlus, the association for growth of entrepreneurs. He has also been a member of the France Investment Council and participated in the Attali Commissions. He has also been Vice-President of the Fédération Française des Télécoms.

In 2008-2012 he was a Vice-President and then a President in Unedic for MEDEF and vice-president of an Employment Center. Since July 2013 he has been an assistant Vice-President and a treasurer of MEDEF. Holding this post he has founded the Digital University.

Together with his wife he founded a charity ARAOK Foundation supporting humanitarian associations.

He is a Knight of the Légion d’Honneur and Officer of the Ordre national du Mérite

Author of the works: «Salads de Patrons! Pourquoi les Français n’aiment plus leurs chefs d’entreprise?» (Hachette, 2007), «Pour sortir de la crise, le capitalisme» (Editions du Moment, 2011).

with our partners from other countries are very much similar to those with foreign authorities and the representatives of economic and social spheres.

– **France and Russia cooperate quite closely. For example your country actively participates in job creation in Russia. What is MEDEF's work in Russia like in general? What are the difficulties and how hard is it to overcome them?**

– French companies are widely represented in Russia: total investment amount equals to 20 billion Euros and our companies rank first among the foreign employers in Russia – it's about 140 000 employees. Our trade turnover has recommenced its growth after 2017–2018 and is now reaching the pre-crisis level – it evidences that our relations have become stable regardless of sanctions.

MEDEF through MEDEF International actively works with Russia – a strategic partner of France and Europe. 30 years of joint activity have created close ties, mutual trust providing for long-term plans.

We organize regular meetings between the leaders of the French companies and the major Russian representatives of public and private sectors. There are discussions of actual industries such as transport, energy, telecommunication, urban development, industry. Business issues and business climate are also on the agenda. We deal with these issues directly with our Russian partners on-site – RSPP representatives and the Minister of economic development of the Russian Federation Maxim Oreshkin.

We also tackle the problem of bilateral relations very often, particularly at the sessions of the CEFIC (Franco-Russian Economic, Financial, Industrial and Trade Council). It concerns the regulations at the level of the Russian Federation and the Eurasian Economic Union.

These meetings are always positive because we always find partners among our Russian friends ready to listen and smoothen things down for the French enterprises in Russia, as much as possible. However leaving out “internal” difficulties in every-day work the sanctions considerable hinder business in particular due to the exterritorial American sanctions. We often encourage the French and Russian authorities to take measures for retaining the sovereignty of our economy facing the unilateral decisions without consent of partners.



– **Could you tell us about what is in the MEDEF priority area when it's about working in the Eurasian space particularly in Russia or in Azerbaijan where you will go soon? Which industries are you most interested in? What are the most important projects and areas within your cooperation with these countries that you could mention?**

– For MEDEF Eurasia is a vast region stretching from Central Europe to Mongolia. Of course, this part of the world includes the most diverse economies where the markets of such large industrial countries as Turkey and Russia are represented and developed as well as markets that are closely linked to the EU – for example, the market of Uzbekistan.

In addition, the Eurasian countries are the heterogeneity of the political system and business conditions.

And in order to engage in conditions of these diversity, MEDEF International divides Eurasia into macro-regions, including countries that are most similar in characteristics.

Our priority is the countries of Eurasia seeking to diversify their economy and reduce dependence on the export of commodities. We are talking here about countries such as Kazakhstan, Mongolia and Azerbaijan where I will go in July 2019 with a large delegation, representing French business both large and medium and small. Food industry, digital technologies, tourism, logistic routes, ecology these are the main topics that we will discuss in Baku with the authorities of Azerbaijan.

Other countries of Eurasia express a need to modernize their industrial sector, to explore the field of alternative energy sources due to future environmental problems, to structure new sectors of the economy and protect their digital sovereignty. We offer our knowledge in these areas and always try to highlight and emphasize the uniqueness of the French solutions.

Russia pays a lot of attention to the industry of the future - we could discuss this topic in June, at the next economic forum in St. Petersburg. In addition, the industry of the future is closely linked to climate change since the moderniza-

tion of Russian heavy industry, the source of environmental pollution, is a big challenge not only for Russia but for the entire planet. New solutions for the industry of the future could increase the efficiency, competitiveness and help save resources and energy. Moreover they will contribute to the transformation of the Russian economy and its workforce.

We also follow closely the needs of Russian cities and the development of the food sector, the latter gained rapid local development after the Russian embargo on products from the EU, the USA and Canada in August 2014.

Last thing that I would note the transport infrastructure which is, of course, important in a country, whose area is almost 27 times larger than the area of France! Railways and highways, river and air routes require development and integration in order to make logistics more efficient.

Russia is a huge country which is a strategic partner for Europe and for our companies and the current situation cannot change this.

– **How do you assess the current state of business and the economy of Europe in general and of France in particular? And what are the most relevant tasks now, in difficult conditions for the whole world, facing entrepreneurs?**

– The state of the global economy is marked by the strengthening of positions of those countries where the protectionism is practiced, in particular in the USA and China. I deeply believe in the role of free trade on a global scale because it bears growth and development. But nevertheless free trade should be balanced - countries should not introduce such rules that in fact protect only their own market.

Within the framework of MEDEF I created a committee of economic sovereignty with a view to moving the harmonization of rules in the EU and France as opposed to tools that the USA uses (extraterritoriality of American law) and China (theft of technology and inaccessibility of government orders).

In France, after the first successful measures of President Emmanuel Macron, such as the enterprise taxation and labor legislation reform, we are witnessing popular protests that reflect the extremely uneven development between our regions which may later become an obstacle to growth. The role of MEDEF today is to be able to respond to these challenges through the proposals that we formulated in the process "Great National Debates" (fr. Grand Débat National) which have been conducted in France since January 2019: increasing the mobility of workers and their purchasing power through the issuance of bonuses, non-taxable, assistance to young people by concrete measures (creation of start-up capital, assistance in obtaining a driver's license).

– **When you were an assistance of Vice-president and Treasurer of MEDEF, you founded Digital University. Could you tell us what the point of its activity is?**

– Since I am strongly convinced that digital transformation is a major upheaval for all entrepreneurs regardless of their size and field of activity, MEDEF allocates a separate time to this process every year.

The activity of the Digital University covers all French enterprises and is aimed to raise awareness and support of French companies, in particular small and medium enterprises which have not yet taken advantages of all digital opportunities that this kind of revolution gives us.

The Digital University allows to see how French enterprises follow this trend in each individual industry and also show and evaluate both the already known and potential advantages of our country in this field.

After four successful graduates, Digital University of MEDEF continues to develop thanks in particular to cooperation with France Digitale. We offer a pitching format to stimulate innovative development between small and medium businesses and start-ups. Our goal is to find and identify those who will be the main engines of digital technology and who could work with to accelerate the digital transformation.

Rapid development of the state control mechanisms: automation of tax accounting and control systems, tracking of transactions and goods flows, tougher requirements to contractor checking lead to additional custom payments and fines for the foreign trade operators as a result of incorrect import documents, wrong article codes and poor estimation of customs duties, etc.

Current legislation permits to collect from a fair foreign trade operator the taxes payable by his unfair contractor, up to the fourth echelon.

Since 2017 tax collection has become possible on account of the property, while a nominal director has the right to considerably reduce the share of his responsibility giving testimony against the real decision-makers. Considering the standard customs and tax audit "extent" of three years the liability can be based on the facts which are not classified as violation at the occurrence of the event but fall under the definition according to a new legislation and law enforcement practice.

...The best way to manage the risks is to detect them.

Seminar for foreign trade operators on management of exposure risks during post clearance control

HOW to prepare for customs and tax inspection?



June 14,
2019

The seminar gives opportunities:

- to prepare for an in-office or an on-site audit of a customs authority, to make timely adjustments to one's work;
- to choose the best strategy and protection plan in case of initiated prosecution of an administrative offence and criminal trial;
- to look at the audit after the release of goods, through inspector's eyes.

Practicing experts of customs and tax legislation will share their recommendations for the customs risk management and smoother interaction with customs authorities.

Organizers:

- Association of Customs Auditors and Consultants (ATAiK)
- Customs and Logistics Center of FBA (CLC FBA)
- Financial & Banking Association of Euro-Asian Cooperation (FBA EAC)

Registration: prior registration is required, seats are limited.

Participation: free of charge

Venue: 17 Kotelnicheskaya nab., Moscow

Time: 10.00–12.30

Contacts: Maria Serebrova, Development Director of ATAiK, tel.: +7 985 233 4301, email: m.argentum@yandex.ru

MACROECONOMIC POLICY OF THE EAEU IN THE ERA OF ADVANCED FINANCIAL TECHNOLOGIES



T. Valovaya,

Member of the Board – Minister in charge of Integration and Macroeconomics of EEC

“ IN THE LAST DECADE THE WORLD HAS BEEN GOING THROUGH A NEW PHENOMENON - CRYPTOCURRENCIES. TOGETHER WITH DIGITAL TECHNOLOGIES – THE BASIS FOR CRYPTOCURRENCIES – THEY HAVE AFFECTED A LOT OF FACETS, FIRST OF ALL ECONOMY LEADING TO A NEW FINANCIAL TOOLING AVAILABLE TO ALL THE MARKET PARTICIPANTS, TO THE RETHINKING OF THE MEANS OF ECONOMIC ACTIVITY AND WAYS OF ECONOMIC REGULATION.

New technologies in the economy

A while back the cryptocurrencies provoked political repercussions on the market: firstly they were private money, secondly they were strongly anonymous due to the new technologies in this sector, particularly the blockchain technology.





International seminar "Blockchain and cryptocurrencies – new channels of influence on the macroeconomic policy in the Eurasian region".
Moscow, Russian Federation, headquarters of EEC, February 12, 2018

The interest of the Eurasian Economic Commission to the usage of cryptocurrencies and relevant technologies relates first of all to their potential possibility to influence the macroeconomic stability of member-states with regards to the coordinated macroeconomic policy of the EAEU. At the same time the technologies cryptocurrencies base on are the key element of implementation of the Union's digital agenda. They might go far beyond transactions with cryptocurrencies. These digital technologies can potentially be implemented in different areas and evidence the changes in the social and economic system, they can even influence the very substance of macroeconomic regulation.

The distributed ledger in the modern technological variant is certainly demanded, attracts large investments and is supported by central banks in different countries. Noteworthy that the concept peculiarity of the distributed ledger – which is to ensure data storage on different media forming a common data base without a single control center – is well-known and has been applied for a long time: as an example is the ability of people to collect and exchange information at the time when there weren't even

books, dictionaries, school books and the writing itself.

Today this fundamentally proved method of data storage has gained a digital image and can be used in different areas of economy.

Blockchain is known for its certain advantages – low commissions, instant transactions, high security due to cryptoprotection, small number of agents, simple data transfer and identity verification, lower information disbalance. Such technologies provide for security and flexibility of different services and can be used for the work of payment systems, bank systems control and robot-controlled processes, logistic platforms, cyber security, voting, copyright protection, decentralized systems of energy supply.

There are large prospects for the application of new digital technologies particularly in finance and economy. However there is still uncertainty about the birth and further development of cryptocurrencies – the most famous result of the technology of distributed ledger, which stipulates the need of the in-depth analysis of the phenomenon and the work-out of approaches to its regulation. The need exists not only at the level of separate states but also at the

ABOUT THE AUTHOR

Tatyana Valovaya

Member of the Board – Minister in charge of Integration and Macroeconomics of EEC.

Date of birth – April 11, 1958.

In 1980 she graduated from the Moscow Financial Institute, Department of International Economic Relations.

Doctor of economic sciences.

1999 to 2012 – Deputy Director and then Director of the Department of International Cooperation of the Government of the Russian Federation at Office of the Government of the Russian Federation.

Since February 1, 2012 – Member of the Board (Minister) on the Main Areas of Integration and Macroeconomics of the Eurasian Economic Commission.

integration level especially when the countries have already included the macroeconomic regulation into their integrational agenda. When the EAEU member-states became concerned about possible risks of cryptocurrencies and blockchain technologies the Eurasian Economic Commission started working on the problem having taken on the role of a supra-national coordinator.



International seminar: "Cryptocurrencies and blockchain – a phenomenon of the XXI century: regulatory challenges in the context of macroeconomic stability of the EAEU". Minsk, the Republic of Belarus, HighTech Park, June 198, 2018



Panel session at the III International Forum "Eurasian Week": "Cryptocurrencies and blockchain: new economy or insecure experiment?"

Possible ways of regulation

The cryptocurrencies boom was in the groove two years ago, the price of bitcoin was reaching top record levels every day, all this without official position of state bodies regarding the use of cryptocurrencies and without legisla-

tive principles of the regulation for those market players who operated with cryptocurrencies and blockchain. The Commission accurately studied not only theoretical aspects but also international experience with regards to regulatory "forks" which in general are the following:

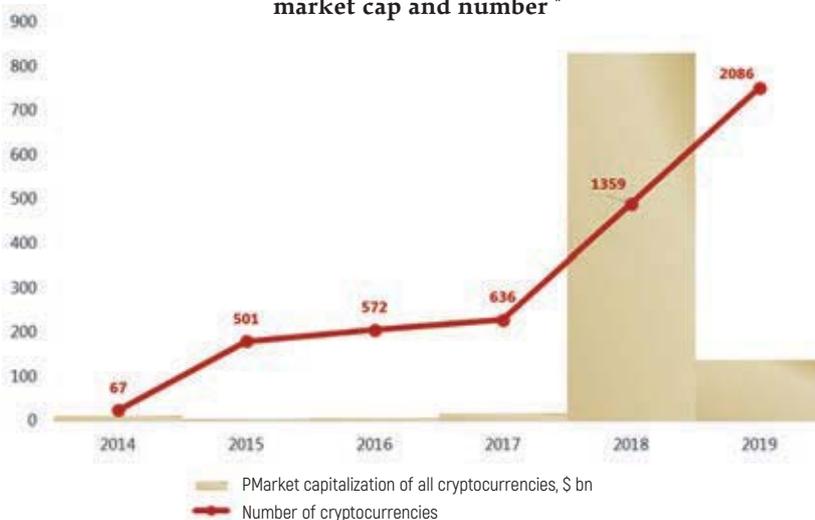
- to allow the use of cryptocurrencies, to fix related legislative aspects and impose taxes;
- to prohibit the use of cryptocurrencies;
- to stay put, not to impose any regulation in the sector.

Gradually it became clear that you can't stay put, it is necessary to keep up with the times and ensure macroeconomic stability in the conditions of new trends. However it was difficult to define regulatory terms due to a large number of related contradictions, some of which still remain.

On the one hand cryptocurrencies and blockchain technology is on the agenda at the high level discussions, including G20 summits, on the other hand cryptocurrencies are losing value, the ICO investments decrease, and the Internet giants such as Google and Facebook ban ICO ads on their resources.

History shows that all pioneer products in the financial and economic system provoke ambivalence. Largescale innovations bring largescale risks, for example the creation of the customary bank notes was also accompanied by big problems. As for the cryptocurrencies the period of their top level prices has

Cryptocurrency market situation: market cap and number *



Data source: <https://coinmarketcap.com/>

* Data valid for the first week of January of each year.



Erevan, the Republic of Armenia
October 23, 2018



Expert seminar: "Cryptocurrencies: their place in the system of currency circulation and influence on macro economy",
Moscow, the Russian Federation, headquarters of EEC, December 18, 2017

probably passed confirming the predictions about their temporary nature and at the same time their importance not as an instrument itself or an asset, but as the key element of the new global social and economic reality being formed these days.

The spurt that was seen signaled that digital financial technologies bear a huge untapped potential, and the countries realizing the effect of the sector on the economy arrived at the establishment of the relevant regulation system.

The previous year was marked by the intense interest of governmental bodies and international organizations to the search of the most suitable regulatory means, and the experts agree on the need of further study of the possibilities of the cryptocurrencies and blockchain regulation. Today it is the most favorable time to gradually work out a strategy for such regulation when the craze related to the private cryptocurrencies has died out and the threat of a direct destabilization of the global financial system doesn't come from them anymore. There is still no entrenched approach, countries are only experimenting. For example

small countries, off-shore territories try to take an advantage of these innovations to attract foreign investments creating quite liberal legislation; other countries restrict cryptocurrencies transactions to reduce risks and avoid parallel channels of currency circulation.

What happens in the EAEU?

Towards macroeconomic sustainability, one of the main tasks of the EEC is to promote a favorable economic environment, avoiding risks of divergence of regulator practices and working towards convergence in conditions for effective business at any point of the Union. This has necessitated the full involvement of the Commission in cooperation with the EAEU countries in the field of cryptocurrency and blockchain technology.

The EEC has become the platform where member states are discussing this issue and developing the common approaches. A series of joint events in various countries of the Union was held thereby to involve business representatives and experts from member states to the discussion.

Today the dialogue on cryptocurrency and blockchain in the EAEU continues developing which confirms the need for a common platform. This year the Commission together with the member states plans to establish a common framework for understanding terminology and regulatory principals in this area. A glossary, containing the main definitions, will be adopted, that will give an opportunity to discuss the topic of cryptocurrency and blockchain in the same language throughout the Union and the regulation approaches will be reflected in the Commission's recommendation. All this will make the discussion more systematic.

Many other international organizations, not only the EEC, are working in this regard. Originally, the Commission carried out its activities in this area on the principal of openness to the interaction with international experts, including the OECD specialists. Cooperation on the EEC site with the involvement of other international organizations is particularly important in order to correlate the approaches developed in the Union with those currently being formulated in the world.

Form the speech of RSPP President **A.Shokhin** at the conference "Russia-US economic cooperation in turbulent times" at the Russian Business Week March 13, 2019

RUSSIA–US ECONOMIC COOPERATION IN TURBULENT TIMES: SUMMARY

ON MARCH 13 WITHIN THE RUSSIAN BUSINESS WEEK ORGANIZED BY RSPP A JOINT CONFERENCE OF THE INTERNATIONAL DISCUSSION CLUB "VALDAI" AND RSPP WAS HELD WITH THE PARTICIPATION OF THE RUSSIAN-AMERICAN COUNCIL FOR BUSINESS COOPERATION. THE CONFERENCE WELCOMED THE LEADERS OF THE LARGEST BUSINESS UNIONS FROM RUSSIA AND THE USA, REPRESENTATIVES OF BUSINESS AND STATE BODIES. THE PARTICIPANTS SUPPORTED MAXIMUM DE-POLITICIZATION OF BUSINESS COOPERATION, THE DEVELOPMENT OF ECONOMIC RELATIONS ON A PRAGMATIC BASIS IN THOSE AREAS OF MUTUAL INTEREST WHERE THE COOPERATION IS OBVIOUSLY ADVANTAGEOUS. AFTER THE DISCUSSION THE PARTICIPANTS FORMED A NUMBER OF RECOMMENDATIONS TO PRESERVE THE ECONOMIC RELATIONS OF RUSSIA AND THE USA AND TO PREVENT THEIR FURTHER DEGRADATION.

Despite the secondary role that economic ties have traditionally played in U.S.–Russia relations, as the confrontation that has been raging since 2014 (and is likely to continue for a long time to come) and the sanctions, the United States is and will remain an important economic partner for Russia for the foreseeable future. The true volume of trade – and especially investment – ties could be several times larger than official statistics indicate and it would appear that the United States is among Russia's top five trade and economic partners (although officially it is in 6th place).

Russia's substantial dependence on the United States in certain sectors of the economy (metallurgy, engineering, aviation, finance, ICT) persists, both in terms of exports and imports. It is difficult to curtail imports and exports entirely within a short period of time. Gradual diversification is necessary. First of all, this would involve reducing the role of the U.S. dollar in settlements between Russia and third countries and creating measures to protect Russia's relations with third countries from U.S. sanctions. With the understanding that

this diversification will take years to achieve. There is also an indirect negative dependence on U.S. extraterritorial sanctions that is detrimental to Russia's relations with third countries.

Russia's financial dependence on the United States is of particular importance. This dependence is a consequence of the fact that a significant part of Russia's national wealth is made up of exports, is denominated in dollars and is even stored in U.S. deposit accounts (it was previously stored in the U.S. national debt). What is more, in recent years, Russia has become a part of the American technological platform and, accordingly, the need to continue to use U.S. technologies. It is unlikely that Russia will be able to get away from either quickly. What is more, Russia is still interested in obtaining American technologies for the sake of modernizing the economy and attracting capital from the United States.

With partial exceptions in the nuclear sector, the mutually dependent relationship between Russia and the United States is asymmetrical. In this regard, the decision of the Russian leadership to

not resort to tit-for-tat measures in response to the U.S. sanctions (banning supplies of Russian titanium alloys, rocket engines, non-ferrous metals, etc.) seems completely justified. The country's economic interests dictate that this cooperation should continue.

Despite the sharp collapse of economic relations between Russia and the United States in 2014–2015, on the whole, they withstood the stress test of the confrontation and sanctions and in many ways have adapted to the deteriorating political situation. There was a noticeable increase in trade turnover between the two countries in 2017 (by \$4 billion, according to official statistics), as well as an increase in the volume of accumulated U.S. investments in Russia (by \$1 billion according to the Central Bank of Russia). Russia's accumulated investments in the United States occurred one year earlier. The positive trend continued in 2018.

On the one hand, this indicated that the initial shock of 2014 has passed, and the sanctions are now viewed by businesses in both countries as the norm. While the adoption in the August 2017



A. Shokhin – President of the Russian Union of Industrialists and Entrepreneurs

of the Countering America's Adversaries Through Sanctions Act (CAATSA) in the United States means that the sanctions will not be lifted any time soon, it is understood that, in the absence of further sharp political escalation, it is unlikely that "total" sanctions will be imposed against Russia in the short term because of how important individual areas of economic cooperation with Russia are for the United States, its allies and the global economy as a whole.

On the other hand, the intensification of economic relations points to increased confidence in the Russian economy, a recognition of its stability, and it reflects the country's successful recovery from the economic recession of 2015–2016. The main factors for the sustainability of U.S.–Russia relations are:

- Russia's continued (for now) dependence on the export of a range of products to the United States and EU countries and, consequently, the desire to avoid sanctions in this area (primarily aluminium and non-ferrous metals);
- The United States' continued (for now) dependence on the import of

certain Russian products (titanium alloys and rocket engines);

- The commercial attractiveness of operating on each other's markets despite the "toxicity" of Russian companies and the Russian market brought about by the sanctions;
- The selective nature of U.S. sanctions, which (thus far) are not all-encompassing and cover a small number of sectors of the Russian economy and a range of U.S.–Russia economic ties;
- Russia's connectedness to the American technological platform;
- The continuing attractiveness of the U.S. domestic market and its financial system, including for storing its gold and foreign currency reserves, the preservation of the dollar as a world reserve currency and the currency of international settlements;
- Russia's integration into the global financial system.

They minimize the likelihood of a further dramatic decline in economic relations between the United States and Russia, provided that the confrontation does not escalate in the coming years

and "total" sanctions are not introduced against Russia.

Right now, we can say that there are six main pillars of economic relations between Russia and the United States, which appear to be very stable:

- The export to the United States of Russian products that are important for the U.S. economy and/or the economies of its key partners (aluminium and non-ferrous metals, titanium and titanium products, RD-180 rocket engines and nuclear fuel).
- The import from the United States of products that are important for the Russian economy (aircraft and aircraft parts, software, drilling rigs and turbines, medical devices and equipment, pharmaceuticals). The purely market-based cooperation between the two countries (exports of Russian oil products, crude oil and mineral products to the United States and imports of American motor vehicles, spare parts), which has thus far remained untouched by the sanctions.
- The trade in services, which is determined by market factors and does not fall under the sanctions.



- The U.S. investment projects in Russia and Russian investment projects in the United States that are not subject to sanctions. Investment cooperation will likely continue at roughly the same level in the short and medium term, that is, without any largescale fluctuations in either direction.
- The intensive financial cooperation between Russia and the United States: two thirds of Russian financial resources accumulated through exports continues to be held in U.S. dollars in deposit accounts, al-

though these investments are gradually declining; and U.S. capital plays a significant role on the Russian stock market).

Not only will the U.S. sanctions against Russia not be lifted in the coming years or even decades, they will most probably be tightened. The most likely scenario is that they will be expanded gradually, affecting an ever-growing number of companies, entrepreneurs and types of activity. We cannot rule out the possibility of sharp, wave-live jumps in the qualitative tightening of sanc-

tions, such as the Defending American Security from Kremlin Aggression Act (DASKAA) that was reintroduced into Congress in February 2019. However, tighter sanctions are more likely to be adopted in the event that the Ukrainian situation suddenly worsens or new crises emerge in U.S.–Russian relations. The likelihood of introducing “total” sanctions against Russia similar to those imposed against Iran is small given the size of the Russian economy and the degree to which it is integrated into the global economy.

It is unlikely that the sanctions against Russia will remain at the current level, and the prospect of an easing of the sanctions is inconceivable at best.

Deglobalization, one of the fundamental trends of global economic development, will also have a negative impact on economic relations between Russia and the United States. The crisis of the international free trade regime, the growing protectionism and mercantilism in the foreign economic policy of the United States and numerous other countries, the reshoring of industrial production and the unpopularity of liberal foreign economic policies will reduce the political significance of integration into the global economy and interdependence. As a result, those factors that limit the introduction of much tougher sanctions against Russia today (the non-introduction and ultimate lifting of

**U.S.–Russia Trade Turnover in 2010–2018 (\$ million)
according to Official U.S. and Russian Statistics**

Table 1.

U.S.–Russ	2010	2011	2012	2013	2014	2015	2016	2017	January – September 2018
Turnover Federal Customs Service of Russia	23 416,6	31 009,0	28 233,5	27 637,1	29 078,9	20 909,9	19 972,0	23 129,9	18 018,7
Turnover U.S. Department of Commerce	31 787,0	43 068,0	40 201,0	38 326,0	34 497,0	23 526,0	20 327,7	24 019,9	20 855,9
Exports from Russia to the U.S. Federal Customs Service of Russia	12 319,9	16 425,3	12 867,1	11 135,1	10 582,7	9456,4	9269,4	10 632,2	8610,8
Imports from Russia to the U.S. U.S. Department of Commerce	25 713,0	34 652,0	29 398,0	27 120,0	23 689,0	16 388,0	14 536,1	17 021,4	15 885,7
Imports from the U.S. to Russia Federal Customs Service of Russia	11 096,7	14 583,7	15 366,4	16 502,0	18 496,2	11 453,5	10 702,6	12 497,7	9407,9
Exports from the U.S. to Russia U.S. Department of Commerce	6074,0	8416,0	10 803,0	11 206,0	10 808,0	7138,0	5791,6	6998,5	4970,2

Source: Federal Customs Service of Russia (FCS), www.customs.ru; United States Census Bureau of the United States Department of Commerce <https://www.census.gov/foreign-trade/balance/c4621.html>

Table 2.

**U.S.–Russia Trade in Services in 2011–June 2018 (\$ million)
according to Official Russian Statistics**

U.S.–Russ	2011	2012	2013	2014	2015	2016	2017	January – June 2017	January – June 2018
Turnover	9225,4	10 242,8	10 912,3	10 285,6	7696,3	7397,1	7657,1	3360,0	3 894,2
<i>growth, +/- %</i>	–	+11,0	+6,5	– 5,7	– 25,2	– 3,9	+3,5		+15,9
Exports	4366,9	4110,9	4275,1	3677,7	2774,9	3384,7	3566,5	1591,4	2 115,4
<i>growth, +/- %</i>	–	– 5,9	+4,0	– 14,0	– 24,5	+22,0	+5,4		+33,0
Imports	4858,5	6131,9	6637,2	6607,9	4921,4	4012,4	4090,7	1768,6	1 778,8
<i>growth, +/- %</i>	–	+26,2	+8,2	– 0,4	– 25,5	– 18,5	+2,0	–	+0,6
Balance	– 491,6	– 2021,0	– 2362,1	– 2930,2	– 2146,5	– 627,7	– 524,2	– 177,2	336,5

Source: Central Bank of the Russian Federation, <https://www.cbr.ru>

the sanctions against RUSAL and En+ and the direct recommendation of the United States Secretary of the Treasury to not impose sanctions on Russia's national debt) may no longer be taken into account in five to seven years' time.

Against the backdrop of the confrontation between the United States and Russia and the further strengthening of the U.S. sanctions, economic relations in strategically important sectors (aviation, space and, to a certain degree, mechanical engineering) will be drastically reduced to the minimum necessary "core." Each party will strive to produce products and components that are vital to their security independently, or in cooperation with friendly partners. This "shrinkage" will be targeted in nature and will not be characteristic of the general picture of economic relations between Russia and the United States as a whole.

Due to objective market factors, many areas of U.S.–Russia trade and investment relations that have not been affected by the sanctions, or have only been partially affected by them, will, from a commercial point of view, continue to benefit both sides and will even be able to expand in the coming years, despite the sanctions and the political confrontation. The sanctions affect an ever-smaller part of the palette of trade and economic relations between Russia and the United States, as they are focused primarily on the financial and energy sectors. The sanctions do not affect such areas as household goods, the fast food industry, public catering, the automotive industry and aircraft manufactur-

ing, and they are not likely to, so cooperation in these areas will persist.

In the medium term (three to five years), economic relations between Russia and the United States will either remain at the current level or gradually taper off. The latter scenario is the more likely. We are unlikely to see sharp ups and downs in trade and investment. A number of factors will stand in the way of an increase in their volumes: the sanctions, the scale, quantity and severity of which will continue to grow in the coming years; the desire of both sides to reduce their dependence on each other in strategic industries, the growing competition between the United States and Russia on the markets of third countries;

and the disappearance of the interest on the part of the United States in Russian energy, except as a competitor. At the same time, market factors, the integration of Russia into global financial processes and its belonging to the American technological platform will prevent a further collapse in relations.

A further reduction in economic ties is likely in the longer term (five to seven years). U.S. dependence on Russian metallurgical and mechanical engineering (rocket engine) exports will either disappear by the end of that period or will lose its current significance. The political significance of Russia's integration into the global finance system will also weaken in the context of the deglobalization



Table 3.

Direct Investment: From the United States in Russia and from Russia in the United States in 2013–2018 (\$ million). According to Official Russian Statistics

U.S. direct investment in Russia and Russian investment in the United States	2013		2014		2015		2016		2017		January – June 2018	
	From the U.S.	From Russia	From the U.S.	From Russia	From the U.S.	From Russia	From the U.S.	From Russia	From the U.S.	From Russia	From the U.S.	From Russia
Equity participation	306	1020	256	941	27	489	345	819	297	1055	289	201
Revenues reinvested	103	41	227	244	– 5	0	– 7	10	4	0	– 11	0
Debt instruments	76	– 322	225	468	187	330	63	43	194	– 929	– 21	107
Total incoming	485	739	708	1 653	209	819	401	872	495	126	258	308

Direct cumulative investments of the United States in Russia and of Russia in the United States	2013		2014		2015		2016		2017		January – June 2018	
	From the U.S.	From Russia	From the U.S.	From Russia	From the U.S.	From Russia	From the U.S.	From Russia	From the U.S.	From Russia	From the U.S.	From Russia
Equity participation	17 907	19 895	1969	5574	1461	5054	2307	5963	2413	6066	2729	6117
Debt instruments	72	1 048	– 283	1 002	– 125	1102	– 69	1256	728	999	571	1032
Total cumulative	17 979	20 943	1686	6576	1336	6156	2238	7219	3141	7065	3300	6117

Source: Central Bank of the Russian Federation, <https://www.cbr.ru>

of the world economy and the spread of economic nationalism. Today it still prevents the US from imposing the increasingly harsh sanctions; however, this is unlikely to be the case five to seven years from now. The general sanctions regime will probably be far more stringent than it is today. It is highly unlikely that the sanctions war will be over five to seven years from now.

In the foreseeable future, economic relations between Russia and the United States will be dominated by indirect forms of cooperation that are not reflected in official statistics: trade and investments through third countries and investments through offshore companies.

In these conditions, it would be optimal for Russia to take a selective approach to the developing its relations with the United States. In the short term, the areas of cooperation where dependence on the United States is most noticeable (ICT, the import of aircraft, aircraft parts, medical devices and pharmaceuticals) or which are important to the economy right now (the export of metallurgical products), should be preserved. At the same time, however, Russia should step up the diversification of its economic ties, substitute a number of products that are imported from the United States (or replace with imports from other countries) or try to localize their production by U.S. companies operating in Russia. The sanctions had a sobering effect on the Russian elites. The faith in the supreme reli-

ability of Western markets and banks that had built up over the past few decades has disappeared, and pro-Western sentiments are fading. The most effective way to reduce Russia’s dependence -20- -21- on the U.S. sanctions is to reduce the role of the U.S. dollar in trade settlements with third countries and continue withdrawing Russian deposits from American banks.

It would make sense to continue cooperation with the United States in those areas that bring commercial benefits, are not considered to be a security threat and are not prohibited by sanctions, but with the understanding that this cooperation could “shrink” as an indirect consequence of the sanctions regime. In this regard, it is necessary to continue to develop alternatives.

It is necessary to depoliticize economic relations with the United States that remain and not position them as a means of improving political relations. Otherwise, the U.S. leadership and political elite will view them as an obstacle and an irritant. Further attempts to intensify economic cooperation “from above” in order to improve political relations should be abandoned. Such actions have not led to the desired result, and could be disastrous in current conditions. Not only will the creation of various commissions and high-level groups – and their public activities in particular – not convince the American political elite of the impracticability of imposing sanctions against Russia, they may have

the opposite effect right now: they will be the ones telling U.S. lawmakers and the executive branch who else to impose sanctions against. The current non-public activities of such structures as the American Chamber of Commerce, the Russian-American Business Council and the U.S.–Russia Business Council appear to be quite sufficient at present.

It would be wise to create an infrastructure that helps Russian and American companies comply with the U.S. sanctions regimes and feel confident doing business within the confines of them. Many private companies, particularly small-scale operations, may be wary of developing cooperation between Russia and the United States, despite its commercial viability, because of the sanctions, even if their potential activities do not fall under sanctions and are unlikely to do so in the near future. In this regard, it would be useful to have experts and structures that could advise them on this issue and, where necessary, help them present their activities in such a way that they do not fall under restrictive measures (prepayments instead of loans, carrying out operations through third countries and partners, etc.). In the next decade, there will be greater demand for sanctions experts than for specialists in WTO regulations and private international law.

Creating mechanisms to protect economic relations with third countries from the extraterritorial sanctions of the United States is an absolute priority. To

do this, interaction with major state- and quasi-state-owned enterprises in these countries that are guided by government impulses just as much as they are by market factors needs to be built, and the country needs to move away from settlements in U.S. dollars in trade with these countries. This is particularly true of Russia's trade with China and India, where settlements in U.S. dollars currently account for approximately 90 per cent of Russia's exports and over 70 per cent of its imports.

The United States remains a technological leader and the centre of the global financial system and will likely continue to be so for decades to come, or longer if it succeeds in crushing China and forcing it to change its model of economic development. The "Trump Revolution" is also likely to spur the development of the U.S. economy. In this regard, Russia's strategic economic interest in the United States remains unchanged: gaining access to capital and technologies; using cooperation with the United States as an instrument to modernize the country's economy. From a tactical point of view, this cannot be done while the confrontation between the two countries persists and the United States desires to inflict a geopolitical defeat on Russia. However, cooperation in individual sectors is both possible and desirable.

Ignoring the major increase in U.S. investments into the Russian energy sector and cooperation in the development of offshore fields, Russia's main priorities with regard to the United States in this area in the current climate are: the joint regulation of the world oil market;

preservation of nuclear energy cooperation; and harmonization of the rules of competition in the markets of third countries.

In the metallurgical industry, it would be wise to maintain the current level of cooperation and try to prevent the United States from imposing sanctions against Russian metallurgical companies, including through lobbying on the part of EU countries. According to experts, if such sanctions are introduced, it is likely that the industry will have to be nationalized.

In mechanical engineering, it is important to maintain investment cooperation with American engineering companies, encourage them to localize production in Russia in non-securitized sectors and sectors that have not been greatly affected by the sanctions (transport, auto manufacturing, machine tool building, etc.) and expand the use of Russian-made components and materials.

In the aviation sector, Russia needs to preserve cooperation with Boeing, both in terms of importing aircraft, and in terms of delivering titanium parts to the United States. At the same time, the production of a large number of components for Boings intended for the Russian (and EAEU) market should be encouraged in Russia. At the same time, Russia should try and reduce its dependence on American components in the construction of aircraft (the Sukhoi Superjet and the MC-21), taking advantage of import substitution and cooperation with other countries. To the extent that it is possible, existing projects in the space industry should be maintained

(commercial launches, delivering crews to the International Space Station and exporting RD-180 rocket engines until a replacement has been found) and a dialogue on the development of a regulatory base for non-military space activities should be initiated with the United States.

In terms of ICT, it would be wise to encourage cooperation between Russian and American IT companies, including working together in the markets of third countries, for example the former Soviet countries. Mechanisms for offering legal assistance to Russian IT companies should also be created in order to ensure compliance with the sanctions requirements and reduce the "toxicity" of these companies in the United States.

Russia's priority in the agro-industrial complex is to reduce its dependence on the import of American breeding materials, crop seeds, trout and salmon hatchlings and seed potatoes. It would be worthwhile to maintain cooperation in the food production and catering industries.

Russia's dependence on imports of American medical and pharmaceutical products will probably continue in the short term. Given the fact that a significant amount of the goods produced by U.S. pharmaceutical companies are supplied via third countries, the United States is the second largest supplier of such goods to Russia. Russia's priorities in this area include improving the investment climate in order to attract American investments, localizing production and stimulating exports of Russian pharmaceutical products.

In the banking sector, it would be advisable to preserve the demand of U.S. portfolio investors for the financial liabilities of Russian banks and other segments of the economy, thereby reducing the likelihood of even harsher financial sanctions being imposed against Russia. It is even more important to reduce the share of operations in U.S. dollars in foreign trade settlements, primarily with the BRICS countries.

One promising area of economic relations with the United States is the provision by Russian specialists of remote services to American consumers with respect to the development of telerobotics and telepresence technologies. This primarily concerns health technologies (Russian physicians treating patients from the United States remotely) and education (Russian instructors teaching remotely at American universities), where Russian specialists are cheaper than their American counterparts yet equally competent.





GENERAL MEETING OF FBA EAC MEMBERS

ON MARCH 6, 2019 IN MOSCOW IN THE HEADQUARTERS OF FINANCIAL & BANKING ASSOCIATION OF EURO-ASIAN COOPERATION ON 17 KOTELNICHESKAYA NAB. THE GENERAL MEETING OF THE MEMBERS OF THE ASSOCIATION WAS HELD TO HEAR REPORTS AND ELECT NEW OFFICIALS. THE AGENDA INCLUDED THE ACTIVITY OF ASSOCIATION DURING FIVE YEARS, GUIDELINES FOR 2019 AND FOR THE NEXT FIVE YEARS, ELECTION OF MANAGEMENT BODIES OF FBA EAC.

The Vice-President of FBA EAC **Anatoly Tkachuk** opened the Meeting. He welcomed the participants and pointed out that in the last five years Association has not only proved its feasibility but has also grown in quantity and quality. After that he gave the floor to the Chairman of Coordinating Council **Alexander Murychev**.

In his speech A.Murychev dwelled upon the development of the structure of FBA EAC, goals and strategic priorities. As a focus area of Association he named the development of effective financial instruments to meet the business needs of its members and partners.

Then the Vice-President and the Chairman of Coordinating Council presented FBA EAC Membership Diplomas to new members of Association.

After that the meeting proceeded to the agenda.

The FBA EAC General Director **Oleg Berezovoy** spoke about the work of Association during the period from 2013 to 2018 and about the most promising focus areas.

He pointed out that in 2013-2018 the Association has grown in number, several international structures were created such as the legal center, the customs and logistic center, the financial corporation, the human resources center, the information and publishing center, contact-center, commodity exchange, consulting center. The General Director also reminded that due to a well-coordinated system of representative offices the As-

sociation today is represented in 20 countries on Eurasia, and the recent Meeting of Coordinating Council made a decision to open new FBA EAC representative offices in Mongolia, Moldova, the Republic of Korea, Malta and Serbia.

The Meeting then welcomed the report of **Konstantin Topornin**, the Chairman of the Audit Commission, whose report was approved and the work of Association was confirmed as satisfactory. He reported about the work of the Commission.

After that the discussion of the reports began. Every speaker told about business opportunities of the Association within his responsibilities. The reports included:

- **Anatoly Tkachuk** – FBA EAC Vice-President;
- **Alexander Murychev** – Chairman of Coordinating Council;
- **Andrey Bepalov** – Chairman of Coordination Council of the Eurasian Center of Human Resources
- **Andrey Lisitsyn** – senior researcher of the Institute of Industrial Policy and Institutional Development of the Financial University under the Government of the Russian Federation
- **Vladislav Karasyuk** – President of the Eurasian Customs and Logistic Center
- **Igor Sinchyrin** – Deputy Director of SPC “Mashinoexpert” Ltd.
- **Roman Fadeev** – Vice-President on finance of “Silk Way” UCE JSC

- **Alma Obaeva** – CEO, NP “National Payment Council”
- **Maria Serebrova** – General Director of the Association of Customs Auditors and Consultants (ATAiK)
- **Vladimir Obydenov** – Head of Antares Group Companies
- **Anatoly Kazakov** – Advisor to the Office of the Chairman of the Executive Committee – CIS Executive Secretary, Chairman of the Coordination Council of CIS Financial and Banking Council
- **Pavel Nefidov** – General Director of CIS Financial and Banking Council
- **Marat Baitokov** – 1st Vice-President, Chairman of the Executive Committee of the Association of Banks of the Republic of Kazakhstan

At the end of the General Meeting the composition of managing bodies of FBA EAC was elected. After the voting it was unanimously decided to elect for five years as the President of Association **Bakhytbek Baiseitov** (the Republic of Kazakhstan), as Vice-Presidents - **Anatoly Tkachuk** (Russia) and **Kumar Manish** (India). The Chairman of the Supervisory Board was elected **Timur Zhaksylykov** (the Republic of Kazakhstan), the Chairman of Coordinating Council - **Alexander Murychev** (Russia), the General Director - **Oleg Berezovoy** (Russia). The Meeting also decided on the composition of the Supervisory Board, the Coordinating Council and the Audit Commission.

FINANCIAL & BANKING ASSOCIATION OF EURO-ASIAN COOPERATION: DYNAMIC GROWTH AND NEW FRONTIERS



Oleg Berezovoy,
General Director
of FBA EAC

Five years have passed since the establishment of FBA EAC, and today we can assert that its hallmark and major advantage is that it unites not only financial and banking structures on its platform, but also the players of the real sector of economy from the countries of Eurasia. FBA EAC has shifted from the traditional idea of a banking association as a structure which protects the professional interests of certain participants to the idea of a multi-level, client friendly system of interaction between business and banking society. The Association is constantly searching for new forms

and methods of business and banks cooperation, for innovative financial instruments.

Summing up the results of FBA's work it is necessary to mention the projects which have contributed most to the Association's development.

During these five years a "Bank of projects" of FBA EAC has been formed. The most part of the projects were practical – like search for investors, business partners, coordination of multilateral projects. The examples of international cooperation of the recent years are the project "VOLGA-BUS" for the production of electro buses in Volgograd with

the participation of the French and Russian companies, the Armenian-Chinese project for the construction of a factory to produce electrical goods in Armenia, the construction of vegetable storehouse in Tula, the Russian-Indian project in the Tver region to grow and proceed flax.

Also worth mentioning are such projects as the Universal Commodity Exchange "Silk Way", the Eurasian Customs and Logistics Holding Company, Digital platform of the Eurasian Economic Union, the European Union and China "Digital Belt", the Eurasian Human Resources Center.

One of the current activities of the Association originated in *the project of the Eurasian Human Resources Center (Center)*, created to provide the members and clients of the Association with up-to-date HR-services and qualified specialists. Extending the project, an HR Development Center was created on the basis of the Center together with the Council for Professional Qualification Development and the Eurasian Economic Commission.

The competitive environment encourages the companies to innovations which leads to changes in the management models and the instruments of knowledge management. The qualification and competence of personnel define the price of a company, become more critical and expensive resource.

In order to overcome the current market contradictions one needs to con-

solidate the intellectual and research efforts in HR sector policies, HR technologies and practices which have the content and the accounting flexibility for corporate context to constantly develop the companies. This goal is topical again both for the Russian companies and for the international labor market players in the Eurasian space.

The Association incorporated a Qualification Assessment Center, with trained experts and branches in Erevan and Bishkek having launched a network of examination centers all through EAEU.

The head of the Eurasian Human Resources Center today chairs a Work group of the EAEU Business Council on the contingency of specialists' qualifications for different kinds of performance in the EAEU member-states.



Andrey Bespalov, Head of the project



Vladislav Karasyuk, Head of the project

The Development concept of customs audit on the EAEU territory, approved at the FBA EAC General Meeting in 2018 has grown into a pilot project to be implemented on the platform of Eurasian Customs and Logistics Holding Company. A new **program product of the Association of Customs Auditors and Consultants (ATAIK)** has been created and passed evaluation test. It was worked out on the basis of a unique proprietary methodology for customs audit.

The effective system of interaction between customs – CIS (Customs Information System) and the favorable climate for foreign trade operators in 28 EU countries was anticipated by the extensive use of customs audit in such key ar-



Maria Serebrova, Head of section

reas as customs regulation, risk management, categorization of foreign trade operators, follow-up control based on audit methods.

Thus the introduction of customs audit in the EAEU will solve most hot problems in the customs regulation and also will apply the obligatory international standard of WTO.

Following the customs audit the foreign trade operators with solid reputation only are selected. These operators are defined as fair and can recon on the removal of most risk profiles of their goods at the declaration stage, in other words to recon on the “green corridor”.

Another contemplation at the EAEU level is the possibility to give to the fair



Vladimir Obydenov, Head of section

operators the right to declare the goods in all national customs bodies in the EAEU member-states. At the beginning it will allow the EEC to lay out the approaches to the future abolition of the “residence principle”.

The customs audit can also become a legitimate alternative to the inspection, mandatory for all operators who have claimed the status of an Authorized Economic Operator. While the audit finding can confirm the financial soundness of a company according to Article 433 of the Customs Code of the EAEU.

The nearest plan is to create a Work group under the EEC or the EAEU Business Council involving all the parties concerned.



Roman Fadeev, Head of the project

Within the pilot project of FBA EAC on the establishment of the **Universal Commodity Exchange** new settlement instruments were worked out and offered to the foreign trade operators, new

opportunities for business development were proposed to SME (for which this project was actually designed).

The Universal Commodity Exchange “Silk Way” is a working structure on the FBA EAC platform. Obviously the main task of the “Silk Way” UCE is to ensure the exchange space and provide to all interested players equal rights and opportunities for their foreign trade activity, for the expanding of the target market, faster settlements and lower transaction cost prices.

Due to synergetic effect from the interaction of other FBA EAC projects, such as the Eurasian customs and logistic holding company and the Digital Belt, the “Silk Way” UCE is supposed to become an experimental platform for exchange relationships between the traders within the Eurasian Economic Union and to unite the advanced technologies in logistics, customs, digital technologies and bank settlements.

The main goal of this project is to create and develop a common financial and economic, trade space in the EAEU and beyond. The project concept is to generate an interaction system for the foreign trade operators of the EAEU countries and financial institutes of these countries through an exchange market. The intermediary of the process is the clearing center of the “Silk Way” UCE in close cooperation with the “Bank Center Credit” (the Republic of Kazakhstan). The clearing center ensures settlements within one working day between the exchange players in six currencies (RUR, CNY, KZT, SOM, \$, €). The players (buyers and sellers) have the opportunity to nominate and pay for any commodity in any of these currencies. The exchange mechanism allows deals without limitations as to the jurisdiction of the players and type of the exchange commodities. All trades are open, the information is updated daily online on the exchange website.

One more work stream was initiated by the needs of the participants of breakout sessions during the annual Moscow International financial and economic forum and resulted in the creation of a **Center of innovative technologies** of FBA EAC. It is designed to research the key economy industries and their growth rates as well as to search and introduce advanced technologies and equipment to the benefit of Association's members and partners.

The Center will focus on the coordination, to the benefit of the EAEU, of the innovative technological solutions, their effective support, integration and promotion within the development in-

dustries at the level of regional and international programs, plans and projects of rapid development. The Center will provide services in such EAEU innovative development areas as telecommunication, finance and insurance, construction, transport, innovative production, agriculture, biotechnologies, new energy, health, ecology, knowledge.

The clients of the Center will improve their investment activity, engineering and innovative technologies introduction with regards to the use of scientific and technical potential of the EAEU countries and the existing international platforms.



Igor Sinchyrin, Head of the project



Andrey Lisitsyn, Head of the project

Another promising trend of the Association which emerged from the cooperation between FBA EAC and the National Payment Council is a **Concept of digital platform for the Eurasian Economic Union, European Union and China called "Digital Belt"** to be implemented up to 2022. The project "Digital Belt" is a complex of information and technological, organization and legal mechanisms provid-

ed by standardization and automation of business processes, a remote interaction between market players in order to select and sell goods, work, services with minimum expenses. It is supposed to be achieved by transparent information, collection of maximum amount of demand and supply, effective settlements with minimum transaction expenses and conversion costs.

An important project of the Association is the Moscow International financial and economic forum of FBA EAC. It has become a benchmark for new focus areas: many projects and incentives appeared due to business communications of its participants. During five years it saw about a thousand participants from 38 countries. In 2018 the Forum included the meeting of the International Banking Council. The Association was hosting banking unions from 18 countries of Europe and Asia including such large associations-members to IBC as CIS and BACEE.

Another traditional event of FBA EAC is now the competition "Financial and Banking Elite of Eurasia". In the last two years the representatives of financial and banking sector from 11 countries were honored with awards.

Worth mentioning is the information and promotion element of the Association's work. This year the FBA EAC press organ – the magazine "Eurasian Financial & Economic Herald" was incorporat-

ed as a mass media in the Federal Service for Supervision of Communications, Information Technology, and Mass Media. The important role plays the Association's website – a unique mass media, a brand identity of the organization. As-

sociation has set a challenge to promote its website in the search engines of those countries where FBA EAC has its representative offices. One should mention that promotion of the Association's work and the discussion of crucial issues





related to the financial and banking sector of economy are also enhancing FBA's business area and contribute to closer cooperation between all the players involved into the development of economic relations on the territory of Eurasia.

Another "brand identity" of Association is the international photo contest "The world through the eyes of a photographer" announced by the editorial board of the Herald. The first wrap-up took place last year during the reward-

ing ceremony of the International public award "Financial and banking elite of Eurasia". 16 people from 11 countries presented their pictures, the winners were rewarded with certificates and money.

Speaking about the staff of Association as a whole one should point out that in the past five years they have prepared and carried out 13 meetings of Coordinating Council (two of them in Minsk and Almaty), 4 meetings of Supervisory Board, 6 General Meetings, 12 round tables, 2 IBC meetings (in Minsk and

Moscow). The Association also was a co-organizer of international forums in Belarus and Kyrgyzstan.

At these meetings and round tables more than 50 topical issues were discussed as well as initiatives of organizational and scientific and practical character, which concerned the cooperation of companies-members to FBA, the work out of concept focus areas of Association, approval of pilot projects, business cooperation with EEC on qualification assessment of labor migrants and creation of international network of HR services, integration of SME into the common exchange system of the EAEU space and introduction of multi-currency clearing system.

It should be stressed that the above-mentioned projects, the business trends that followed, and successful implementation of many of them are not just local one-time achievements. It is the ground on which the work of FBA EAC will be developing further, because all these areas are essential for the Association, each of them will be promoted covering ever larger scope of functions. That is why the recent General Meeting of the Association's members approved these areas as priority for 2019. Their implementation will sustainably develop the Association itself allowing to solve crucial tasks in the Eurasian economic space and to create ever more effective forms of cooperation between business and banking society.



On March 28–31 in Tashkent the International Financial and Banking Forum of CIS member-states was held. The plenary session of the Forum involved the Chairman of FBA EAC Coordinating Council, Executive Vice-President of RSPP A. Murychev.

In his speech he dwelled upon the development of the EAEU integration projects proposed by the Russian part: “A network of wholesale distribution centers for the food and other products of the EAEU member-states”, “The creation of EAEU internet platform (EiUnion)”, “The creation of EAEU platform for SME – “We do business together”.

Special attention is paid to the project “Money transfer between the citizens and organizations in the EAEU”. Promoting the economic cooperation between the EAEU countries the project implies a common system of instant money transfers within the EAEU. The main advantages of the system are the client-friendly payment scheme, the speed, the low cost, the precise credited amount in the local currency and autonomy from the international payment systems.

Another issue on the agenda was the creation of the EAEU common payment unit as a necessary measure for easier



INTERNATIONAL FINANCIAL AND BANKING FORUM OF CIS MEMBER-STATES

mutual settlements particularly with regards to sanctions challenges. The EAEU payment unit is supposed to replace the

national currencies, and to be limited only by the settlements within the EAEU member-states.



RUSSIA—KYRGYZSTAN INTERREGIONAL CONFERENCE

On March 27–28 in Bishkek the 8th Russia—Kyrgyzstan Interregional Conference ‘Towards New Horizons of Strategic Partnership and Integration’ was held timed to coincide with Russian President Vladimir Putin’s state visit to Kyrgyzstan.

The President of the Kyrgyz Republic Sooronbay Jeenbekov and the President of the Russian Federation Vladimir Putin welcomed the plenary session and pointed out the importance of mutual relations, strategic partnership and integration of the two countries.

Anatoly Tkachuk, the FBA EAC Vice-President, RSPP Board Member took part in the conference within the Russian businessmen delegation.

He attended business breakfast of the Minister of economic development of Russia Maksim Oreshkin and the Minister of economy of Kyrgyzstan Oleg Pankratov with the leaders of regions and companies.

During his visit to Kyrgyzstan Anatoly Tkachuk held negotiations and business meetings with the heads and representatives of the regions of Russia and Kyrgyzstan, with entrepreneurs, state and business structures, heads of several public unions.

A lot was discussed at business meetings regarding the development of agriculture in Russia and Kyrgyzstan, the improvement of the investment and financial cooperation and the promotion of goods on the Russian and Kyrgyz markets and the set of perspective focus areas to execute different business projects.

The results of the 8th Russia—Kyrgyzstan Interregional Conference ‘Towards New Horizons of Strategic Partnership and Integration’ will be taken into account in the work with Kyrgyzstan and other Eurasian EAC countries within the activity of FBA EAC.

On March 21 in the Financial University under the Government of the Russian Federation within the International science and methodology conference "Education Foresight: academic freedoms VS accreditation limits" the General Meeting of the Financial Markets Association "Council for Professional Qualifications Development" and the meeting of CPQD were held.

The General Director of CPQD D.Mashtakeeva pointed out that the most active work with the regions is carried out by the HR Development Center established together with FBA EAC to roll-out professional standards into the HR systems of enterprises and organizations (the Director of FBA EAC QAC is A. Bespalov).

The meeting was also informed about the signing of a trilateral agreement of CPQD with the Higher School of Economic and the Eurasian HR Center of FBA EAC on the program "HR Management". The agreement includes comprehensive aspects of the employers' switch to the professional standards, the creation of common labor market of the EAEU member-states, the mutual quali-



GENERAL MEETING OF THE FINANCIAL MARKETS ASSOCIATION

fication recognition and the mobility of labor resources.

Summing up the General Meeting the Financial Markets Association

unanimously accepted FBA EAC as its member. The FBA EAC General Director was re-elected to the Council for a new term.



RSPP CONGRESS

The Russian Union of Industrialists and Entrepreneurs (RSPP) congress took place on **March 14, 2019** during the XII Russian Business Week.

The event gathered the representatives of business unions, heads of constituents of the Russian Federation, heads of the leading domestic companies and development institutes, members of the government: the First Vice-

Premier – Minister of finance Anton Siluanov, Vice-Premier Dmitry Kozak, heads of the Ministry of industry and trade and the Ministry of economic development Denis Manturov and Maksim Oreshkin, the Assistant to the President Andrey Belousov.

RSPP President Alexander Shokhin presented a report about the business climate in 2018 and the key results of the

Russian Business Week stressing that businessmen are still concerned about qualified human resources, administrative barriers, high level of fiscal burden. At the same time RSPP head mentioned "a few positive moments for business" of the previous year, for example the graduation of movable property from taxation. Alexander Shokhin reminded that the "regulatory guillotine" should relieve business from the outdated government requirements and should reduce the number of regulatory authorities.

The President of the Russian Federation attended the plenary session of the congress. In his welcoming speech he pointed out that business is a direct and crucial player in the national projects and infrastructure development plans. Following the congress Vladimir Putin had a meeting with RSPP President Alexander Shokhin and members of RSPP Board gathering 29 representatives of large business, members of the Cabinet of Ministers and the Head of the Central Bank of Russia Elvira Nabuillina.

The congress also saw the signing of the Agreement of cooperation between RSPP and the Ministry of Construction Industry, Housing and Utilities Sector of Russia; the Agreement of cooperation between RSPP, the Administration of Smolensk region and the Science and Industry Union of Smolensk.



EURASIA: SPACE FOR BUSINESS AND COOPERATION

On March 13, 2019 within the framework of Russian Business Week 2019 the Annual Forum of RSPP on the topic “Eurasia: Space for Business and Cooperation” was held.

The panel at the Forum was devoted to the discussion of key global and regional trends in the development of the economy and business; the tasks that face business and government in order to achieve the goal of entering the trajectory of sustainable growth, to ensure growth rates higher than the world ones, and to be among the five largest economies in the world.

Alexander Shokhin, President of RSPP, welcomed participants of the Forum. Victor Vekselberg, President of

the Skolkovo Foundation and Chairman of the RSPP Committee on International Cooperation, spoke about how business sees priorities for international cooperation in the region. The Forum was attended by representatives of the authorities: Deputy Minister of Foreign Affairs of the Russian Federation Alexander Pankin, Deputy Minister of Industry and Trade of the Russian Federation Alexey Grushev, Deputy Minister of Economic Development of the Russian Federation Timur Maximov, Member of the Board (Minister) for domestic markets, informatization, information and communication technologies, Eurasian Economic Commission Karine Minasyan.

Oleg Berezovoy, General Director of FBA EAC, also took part in the work of Forum.

Chairman of the Board and Managing Partner KPMG in Russia and the CIS, Oleg Goshchansky, presented an analysis of the influence of geopolitical risks on business development in Eurasia. General Director of Interstate Development Corporation JSC, Ivan Polyakov, paid special attention to the trends of economic cooperation and consolidation of Eurasian business with countries of Southeast Asia. Ulf Schneider, Founder and General Director of SCHNEIDER GROUP, told about strategies, success factors and prospects for business development in Eurasia. Xu Jingli, Head of the Representative Office of the China International Trade Promotion Committee, told about the strategies of Chinese companies in Eurasia.

Following the discussion, the participants of the Forum formulated a number of recommendations, aimed at improving competitiveness of the Russian economy and developing economic cooperation with key partner countries. The participants stressed that the implementation of the strategic objectives of the development of Russia is practically impossible without successfully solving a complex of foreign policy and foreign economic problems directly related to ensuring sustainable economic growth in the region and the world; business should contribute to the development of bilateral and multilateral relations in the macroregion.

On February 27 the FBA EAC headquarters welcomed the representatives of the Korean Institute of Industrial Technology (KITECH).

KITECH is the only state scientific and research institute in the South Korea focused on the development and commercialization of industrial technologies in order to support small and medium business.

The FBA EAC General Director O. Berezovoy told the Korean colleagues about the main focus areas of the Association and gave several examples of successful projects, informed about the plans to open a Eurasian center of innovative technologies on the FBA EAC platform.

The Director of KITECH, Doctor of Science, professor Taek-Soo Kim thanked for the information about the Association activity and expressed his interest in the cooperation with FBA EAC in several areas including the organization of a session at the next Moscow international financial and economic forum “EAEU and EU: search for new formats of cooperation”.

MEETING WITH THE KOREAN INSTITUTE OF INDUSTRIAL TECHNOLOGY



DIANA MASHTAKEEVA:

“IN THE COMING YEARS THE RUSSIAN LABOR MARKET WILL TOTALLY SWITCH OVER TO PROFESSIONAL STANDARDS”

QUALIFIED PERSONNEL PLAY THE KEY ROLE IN THE STRUCTURAL CHANGES OF ECONOMY WHICH ARE THE CRUCIAL ELEMENT OF THE ECONOMIC DEVELOPMENT OF THE COUNTRY TODAY.

THE DECREE OF THE PRESIDENT OF THE RUSSIAN FEDERATION DATED APRIL 16, ESTABLISHED THE PRESIDENTIAL NATIONAL COUNCIL FOR PROFESSIONAL QUALIFICATIONS. ONE OF THE MAIN TASKS WAS TO ROLL-OUT PROFESSIONAL STANDARDS IN ALL SECTOR OF THE RUSSIAN ECONOMY.

IN 2015–2016 SEVERAL REGULATING DOCUMENTS WERE ADOPTED INCLUDING THE FEDERAL LAW # 238 “ON THE INDEPENDENT QUALIFICATION ASSESSMENT”. THESE DOCUMENTS COVER THE BASIC DEVELOPMENT PROCESSES OF THE SYSTEM OF PROFESSIONAL QUALIFICATIONS, THE PUBLIC ACCREDITATION OF EDUCATIONAL PROGRAMS AND THE INDEPENDENT QUALIFICATION ASSESSMENT.

DIFFERENT QUALIFICATION COUNCILS FOR DIFFERENT PROFESSIONS WERE CREATED, INCLUDING THE COUNCIL FOR PROFESSIONAL QUALIFICATION DEVELOPMENT (CPQD). ITS TASK IS TO DEVELOP THE SYSTEM OF PROFESSIONAL QUALIFICATIONS ON THE FINANCIAL MARKET OF RUSSIA.

VLADIMIR MIRONOV, THE OBSERVER OF THE PORTAL FINVERIA.RU. TALKED TO **DIANA MASHTAKEEVA**, THE GENERAL DIRECTOR OF THE COUNCIL FOR PROFESSIONAL QUALIFICATION DEVELOPMENT.

- We know that finance is a multi-sectoral segment involving a lot of people. And it is well known that starting from July 1, 2019 old qualification certificates of financial market specialists will become invalid. Does it mean that a moment is coming when all people employed in financial sector will have to take qualification exams again to confirm their competency?

- Yes, it does. In the Article 11 of the Federal Law “On the independent qualification assessment” the transition period is regimented. From July, 2019 in Russia other systems of assessment will become invalid – both non-mandatory and those within sectoral mandatory systems of qualifications. For example, financial market. The access to vacancies here is regimented within the attesta-

tion of the Central Bank of Russia. CPQD and CBR have signed an agreement on smooth transition to the institute of the independent qualification assessment.

What will this institute look like in the end? There are still a lot of questions under discussion with the regulator according to an action plan. But in general the system is as follows. To



fill a vacancy, a candidate must meet criteria of a qualification which is already specified in a professional standard. It means that the specialists should now think about a necessary education level and job experience – these parameters are also specified in the professional standard.

In order to switch to the system of independent qualification assessment the Decree of the President of the Russian Federation has established an institute of Qualification assessment centers (QACs). QACs are commercial structures which will independently evaluate qualifica-

tions according to the rules approved at the governmental level. The task of the professional qualification councils is to work out criteria of a professional standard and a qualification. On the platforms of QACs a relevant qualification will be conferred. Of course we recommend arranging the qualification exams in advance.

– **Who should take care about it? The people themselves? Or the employers?**

– There are two variants. And both of them are clearly specified in regulatory documents. A candidate can go

through the qualification assessment himself at his own expense. Or an employer arranges the attestation of its personnel at the expense of a company. Thus a candidate should apply for qualification exam to his HR department and discuss the ways he can achieve the level of qualification which is specified in the professional standard of his position.

- **It turns out that many people must pass these exams within just six months. What will happen after July 1 to those who don't do it in time?**

– The system is very strict. There will be inspections on the territory of an employer. He is the one who is responsible for the qualification of a worker in his company. The moratorium on the relevant inspections valid until recently, has been removed; the inspections are already being carried out in different regions. Moreover there are first cases of fines for the workers lacking qualification certificates.

So our advice is pretty decisive: if you are a working specialist and want to stay in a company you should discuss with your HR how to achieve the qualification according to new rules. And another variant is if you are looking for a job, then you are the one who is responsible. It is already common practice when candidates confirm their qualification in QACs themselves.

– How many people employed in the financial market have passed these exams so far?

– Up to now a bit more than a thousand people have passed the qualification assessment. Is it a little or a lot? Well for the market on the whole it is not so much. At the same time we started to incorporate the QACs, so to say on a nationwide basis, only in May, 2018. However even in the Summer, a holiday period, and in the Autumn we saw people actively taking exams.

– Do you fear a mess on the market in case thousands of experts don't take the exams in time?

– I don't. We have offered a relatively loyal transition period. We have accorded with CBR, Rosfinmonitoring and other specific federal legislative bodies that the current certificates will be valid for some time. But we can't fully influence the situation since we are not a controlling body. It is the Labor Inspection. We will carry out negotiations closer to July, 2019 if we see that the market is facing as you say a mess. We will try to coordinate with the Labor Inspection some delays of inspections.

It is a crucial task for us – to arrange a smooth switch to a new system. Obviously the current situation is that a full-fledged infrastructure for the institute of independent qualification assessment on a nationwide scale is not prepared yet. Some territories don't have QACs, many employers don't have budgets for the process. Although one should mention that the Tax Code implies tax preferences. Both the employer and the employ-

ee can charge the expenses to the income tax refund.

– Does it concern only state-owned companies for now?

– Not really. There are three stages of a transition period. The first one as we have already discussed will start on July 1, 2019 when all other attestation systems will become invalid. In January, 2020 we offer a transition to the system of independent qualification assessment to the state-owned companies and corporations with public ownership. We offer it to all such companies, not only to mandatory attestations and mandatory access. It means that even the qualifications of drivers and cameramen at All-Russian State Television and Radio Broadcasting Company will have to be brought into conformity with criteria of professional standards. It concerns professions for which there are such standards. And it should be done throughout all positions by January, 2020.

And the third stage of transition period has no time limits yet. It is being discussed. It implies a total refusal from managers, specialists and workforce qualification reference book and from the Unified rating and skills guide for jobs and occupations of manual workers and their replacement with the criteria of professional standards. Today these books are an alternative accounting method in HR policy. Once they are invalid all HR workers in all companies will have to use only the criteria of professional standards. The first paragraph in the abovementioned books which we have offered to remove relates to the accounting.

– You have already said about the number of people who have passed the exams. What other results of CPQD can be marked for now?

– This year was full of events. We have advanced from the stage of infrastructure formation for the system of independent qualification assessment to the stage of practice. We developed the infrastructure taking into account the requirements for people with disabilities. We also developed international cooperation. In particular we achieved some results with the EAEU member-states in the conjunction of qualification criteria. Besides we became the first sectoral council on professional qualifications to sign a large-scale international agreement within the framework of the system of indepen-

dent qualification assessment. Our partners now are two main attestation systems on the territory of the Great Britain: CIMA –The Chartered Institute of Management Accountants and Institute of Certified Bookkeepers, Russian office of ICB-Global. It implies that not only the Russian part shall consider the international qualification criteria in its national system, but our national qualification certificates will be recognized in Britain as valid to fill a position.

– What professions are concerned?

– Accounting and internal audit. It was the first block we worked on last year.

Now back to the results. This year the Entry Level Qualification was adopted. We said recently that one of the main tasks in 2018 was to shape the Entry Level Qualification without high requirements to work experience and skills for the graduates, students and people of other professions. It's a simple mechanism to enter a profession. By the way in Britain specialists have the competence level equal to our 9-grade students. All the rest is achieved while working during the life.

Another large project was executed with VCIOM and the National Agency for Qualification Development. We have worked out a method for labor market monitoring. We have managed to computerize all processes and now we are collecting information from HR departments and organizations about the list of qualifications demanded on the market. It is also an important block of our work. The analysis of this data shows which qualifications are demanded and which ones should be abolished or developed. We anticipate the monitoring results to become the main indicator for us during the allocation of state-financed openings in the institutes in different regions.

Another important task solved is the development of the method of public accreditation of education programs (PAEP). We have agreed with the Federal Service for Supervision in Education and Science (Rosobrnadzor) to sign an agreement on criteria recognition while conducting the state accreditation and PAEP. This will allow us to consider the results of state accreditation in our procedures and vice versa the state accreditation will consider our results. Besides we have agreed to carry out the state accreditation together starting from 2019. It is a big step in the development of the institute of

independent qualification assessment in general, and in particular it eliminates overlapping.

Regarding PAEP we have another positive result. We have completed an agreement with the Agency for Quality Assurance in Higher Education and Career Development (AKKORK) which represents international standards on the territory of Russia corresponding to the principles of Bologna process. These principles imply the harmonization of the higher education systems of the European countries with the aim to create a common European space of higher education. For example we harmonize the methods of international accreditation agencies on the standards. It means that using our accreditation the education sector will get also the international accreditation, which directly influences the world ratings and public accreditation.

We have finally enlarged the number of experts all through the territory of Russia. Today the number is almost enough to launch the independent qualification assessment on a nationwide scale.

We have also completed the establishment of the internal audit services for CPQD. Now there are offices in the Russian regions which monitor and control the QACs. We have discussed with the federal executive bodies that they will assign personnel to these offices to join the internal audit service. In particular they will deal with QACs allowances and attestation procedure.

– You have said that the infrastructure for the independent qualification assessment has not been completed yet and is still being shaped. Is there a possibility for unfair, “commercialized” shell QACs at this stage which will attract people?

– Do you mean the sales of qualification certificates? Let's face it! In order to minimize this opportunity we move really slowly. Of course Russia is a very big country and it's quite difficult to monitor and control QACs from Moscow.

As for commercialization, all QACs work on a commercial basis. It is stipulated by the law and corresponds with the principle of independence provided for by payable procedures. A relevant instrument was included in the Federal Law “On independent qualification assessment”. But at the same time

we realize that without monitoring and control it will be impossible to ensure adequate level of good faith, to guarantee the quality of this instrument both to the specialists and to employers.

The law strictly specifies the procedures of the professional exam. They are also specified at the level of the Russia's government regulations. All processes and procedures are strictly regulated. From our side we have also worked out the system of monitoring very thoroughly. As I have already mentioned there will be permanent territorial control services. Besides, the procedure implies video recording of the exam. Moreover there will be an appeal commission where any candidate and employer have the right to file a complaint. This is something the mandatory attestation of the mega-regulator was lacking.

– Two small practical questions. First, how not to fall into a trap of those QACs without an adequate level of good faith? How to identify the “fair” QAC? And second, how much does the qualification assessment cost for a candidate?

– All QACs were thoroughly selected. There are correspondent registers of the Ministry of Labor of Russia. All information is public and can be found on the websites of the Ministry and CPQD and connected resources of QACs. All the information about the authorized QACs, the accredited experts of these QACs (they also have their qualification level and corresponding status fixed in the national register) – all this can be found in the official information resources, which is an important provision of the law.

As for the price there is a calculation method. Its basis was suggested by the National Agency for Qualification Development. Today the minimum price of a professional exam is 7.5 thousand Rubles, the average is 10 thousand Rubles.

There is a single tariff policy approved at the level of CPQD and specialized commissions. The price of every professional exam is evaluated in accordance with the approved method and with regards to the level and complexity of the qualification. In general the calculation method is focused on the payment to experts who take part in the assessment procedure. So the higher the qualification, the higher the experts' fee and the price of the exam are.

I would like to mention though that we are working now on reducing the price of the exams. For example on November 15 it was decided to give a discount to people with disabilities, students and elderly people. The discount will be about 30%. Besides in Russia there is a resolution on tariff regulation and now we are working on a regional index which would allow to change the price of the professional exam depending on the location.

– What can you say about the plans of CPQD in 2019, what is on the agenda?

– The agenda is the same: to update the approved qualifications, to enlarge the storage of assessment means and the key task – to ensure the infrastructure and security of the professional exam procedure. We are taking sustained efforts to create an automated system for CPQD to work “digitally” with all counterparts, from the candidates to the education sector. On a nationwide scale the system is anticipated in February 2019. Its first participants will be QACs and CPQD services. This system will store the results of professional exams, information about updated assessment means, appeals, etc.

And we will also proceed with the improvement of the transition period procedures. We systematically meet with the representatives of the candidates market, discuss the smooth switch of the current attestation system to the independent qualification assessment. Everyone will be engaged, we don't set a task to create a totally new instrument. Of course we aspire to automate the process but the main condition is to preserve the whole value of the subject.

At the same time in many cases the procedure becomes more complicated because the current attestation doesn't imply any practical part. While one of the main goals of the reform and the switch to the independent qualification assessment is to make it more comprehensive and to have the possibilities to confirm not only academic knowledge of a specialist but his practical skills as well. The process automation is supposed to include into the exam procedure some program products applied by industries. For example, an accountant who wants to confirm qualification in payroll calculation will have to show his skills in the program 1C.



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OF COOPERATION**

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INTERNATIONAL BANKING COUNCIL (IBC) IS THE CONSOLIDATION OF BANKING ASSOCIATIONS AND UNIONS OF 14 STATES INITIATED BY THE ASSOCIATION “RUSSIA” IN 2004. THIS WAS DONE TO STUDY THE EXPERIENCE OF THE BANKING ASSOCIATIONS OF CIS COUNTRIES AND EASTERN EUROPE AND CREATE CONDITIONS FOR THE BANKING COMMUNITY TO EXCHANGE INFORMATION, REGULARLY ANALYZE THE DYNAMICS OF THE DEVELOPMENT OF THE BANKING SECTORS OF STATES AND COORDINATE THEIR ACTIONS IN THE INTERESTS OF THE EFFECTIVE DEVELOPMENT OF INTERSTATE ECONOMIC COOPERATION.



On November 30, 2018, an open meeting of the International Banking Council was held in Moscow. The main issue on the agenda was “Regula-

tion and development of financial technologies: problems, risks and security”.

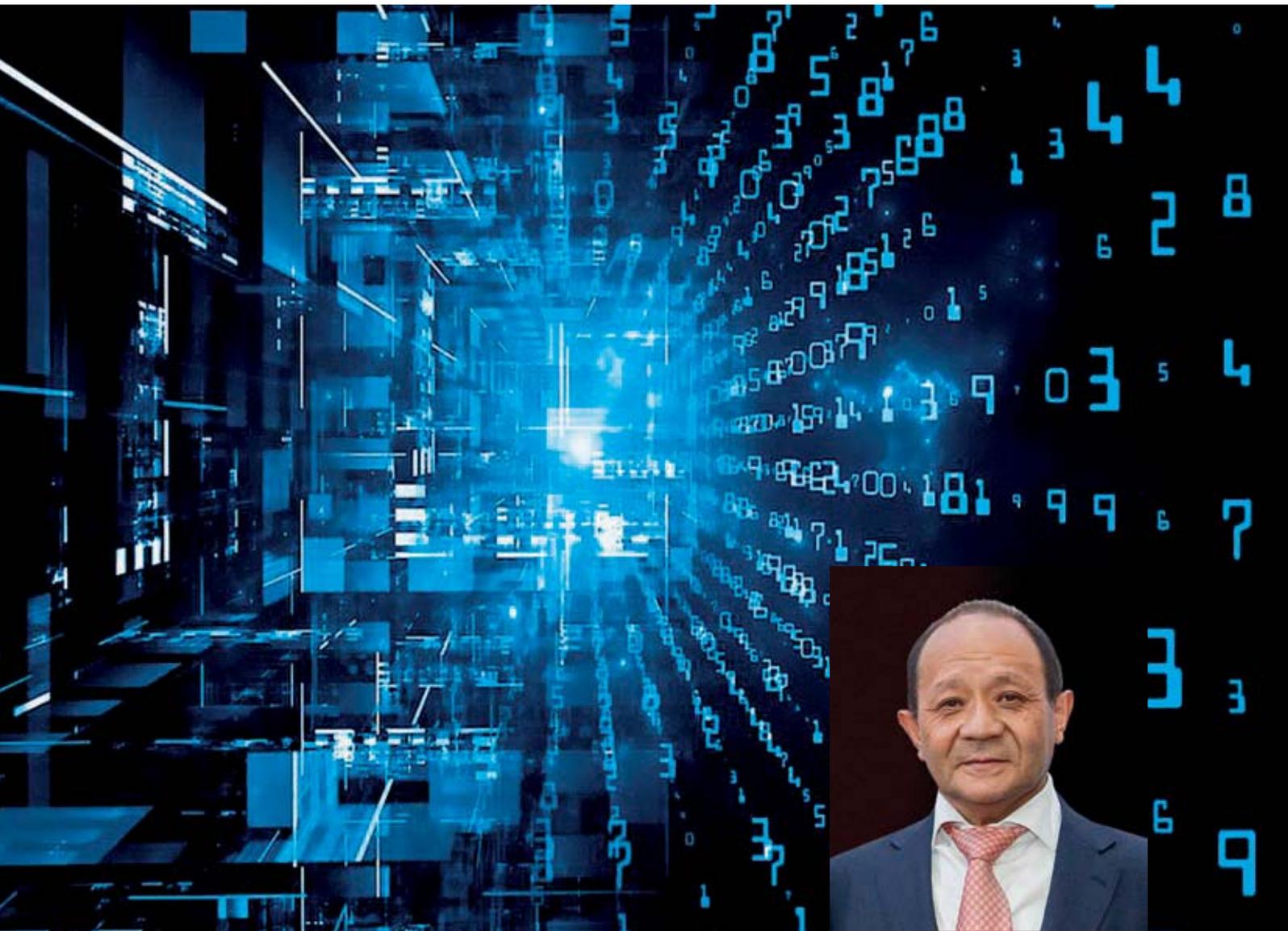
The meeting was attended by leaders and representatives of banking associations of Armenia, Azerbaijan, Serbia, Russia, Montenegro, Belarus, Bosnia and Herzegovina, Kazakhstan, Kyrgyzstan, Uzbekistan, Mongolia, as well as major banking associations - the Financial and Banking Council of the CIS, the Banking Association for Central and Eastern Europe and the Financial and Banking Association of Euro-Asian Cooperation, which hosted the event. In this issue of Herald, a glance at the discussed problems will be presented by materials from Azerbaijan and Kyrgyzstan.

REFERENCE:

International Banking Council (IBC)

The International Coordinating Council of Banking Associations is a public organization open to banking associations of all countries interested in cooperation. The members of the IBC are banking associations of Belarus, Kazakhstan, Kyrgyzstan, Russia, Azerbaijan, Georgia, Serbia, Tajikistan, Uzbekistan, Ukraine, Moldova, Armenia, Montenegro, Bosnia and Herzegovina, as well as the Financial and Banking Council of the CIS, Banking Association for Central and Eastern Europe, Financial and Banking Association of Euro-Asian Cooperation. Currently, the International Banking Council includes 18 organizations.

The IBC is chaired by the Executive Vice-President of the Russian Union of Industrialists and Entrepreneurs, the Chairman of the Coordination Council of the Financial and Banking Association of Euro-Asian Cooperation, Alexander Murychev.



Anvar Abdraev,

President of the Union
of the Banks of Kyrgyzstan

KYRGYZSTAN:

REGULATION AND DEVELOPMENT OF FINANCIAL TECHNOLOGIES: PROBLEMS, RISKS, SAFETY

Currently financial technologies took up a strong position in the banking industry but the digital transformation of the financial services market changed the financial environment of most countries. These are known facts.

Today fintech is a sector of new technologies and financial services, start-ups and the relevant infrastructure. In financial services sector the latest technologies and tools are increasingly being applied, it allows to efficiently carry out its

functions and create new solutions for consumers. Modern financial technologies occupy a growing part of manufacture sector (retail, telecommunications, pharmacy, agriculture) and affect the insurance, credit, accounting services, real

estate, asset management, investment, tax administration, etc.

According to forecasts made by PwC in 2016, by 2020 fintech can get 28 % of the banking services and payments market and up to 22 % of insurance, asset management and private capital management markets (PwC's report «Blurred lines: How FinTech is shaping Financial Services», 2016).

Such changes are connected with the emergence of virtual currencies and virtual banks, the development of new financial technologies (blockchain, "Bug data"), the appearance of new types of online lending and online investment, the promotion of innovation in payment systems as well as the use of advanced technical solutions (cloud technologies).

The emergence of new technologies is caused by the needs of the current generation who wants to get services in a digital form and at the same time requires excluding the human factor.

Clearly, the development of fintech depends on the volume of investments and on the readiness of the infrastructure. According to a KPMG research, the absolute record in terms of investment in fintech was reached in 2015. In 2016 investment in fintech in the USA and Europe declined but in Asian countries it continued to grow (KPMG report 2016).

view of successfully achieving the ultimate goal.

The National bank of the Kyrgyz Republic developed a draft Regulation "On a special mode of introducing innovative services/technologies in the banking services market of the Kyrgyz Republic" in order to create conditions for the introduction of innovative services to solve problems in the field financial depth, improve the efficiency of banking and payment services. To implement this regulation changes and additions are made to some legislative acts of the Kyrgyz Republic in order to empower the National Bank to establish and regulate special regulatory regimes. Within this context the National Bank prepared a draft law "On amendments to certain legislative acts of the Kyrgyz Republic".

The purpose of fintech projects is convenience (including lower prices, easier access to the service, etc.) as well as safety of financial transactions.

Currently much has been said about the benefits of financial technologies, but risks of their use are not discussed so actively. For example, consumers are informed about how fast the digital currency rate is growing, how convenient it is to carry out operations, how such operations are safe and anonymous but at the same time they ignore the flaws in information security, the lack of legal

stances. The risk of applying financial technologies is commonly understood as any likelihood of adverse consequences for users, financial services providers and the economy as a whole, connected with the use of financial technologies under certain circumstances and in certain situations. Accordingly, the risks of applying financial technologies can be divided into client risks (user risks), provider risks and system risks (risks of the economy and society as a whole). You should consider the client risks system and determine the conditions for managing these risks.

Risks of consumers of financial services associated with the use of financial technologies are divided into two large groups - direct and indirect.

Direct risks:

- data theft;
- significant changes in the market situation;
- violation of uninterrupted provision of services;
- impossibility or significant difficulties in protecting the rights and legitimate interests of consumers;
- mislead consumers about a service provider.

Indirect risks:

- application of financial technologies for the purpose of money and financing of terrorism;
- risks of regulatory arbitration (the difference in requirements abroad and in the country of the provider's activities);
- technological, organizational and legal obstacles.

As noted the most important factor in the successful development of fintech is the possibility to manage these risks and therefore, in order to reduce them it is necessary to ensure:

- lack of legal vacuum;
- setting requirements for transparency of services;
- preventing the imposition of the use of remote services;
- creating a system for identifying unfair practices.

The global trend on the creation of a new financial system increases the requirements for state regulatory organizations and the banking system. They should provide consumers with the maximum benefits, reducing risks of using financial technologies as well as improving the financial literacy of consumers of these services.

Investment in fintech

Territory	Amount (billion US dollars)	
	2014	2015
USA	14,1	27,4
Europe	12,0	10,9
Asia	3,3	8,4

The success of the development of fintech in a single country depends largely on the state regulatory of this sphere. The international practice of selling fintech products has shown that statutory regulation is one of the most important practical issues since in some cases it is necessary to make changes to the existing regulatory framework. The direct involvement of the regulator at the decision-making stage in the development of new technologies is fundamentally important from the point of

guarantees in transactions with digital currencies, high volatility.

Therefore at the state level and in professional environment it is necessary to make a separate discussion not only about the advantages of financial technologies but also about the risks associated with their introduction and development as well as how to manage these risks.

Risk is understood to mean the probability of negative consequences from something under certain circum-

AZERBAIJAN:



Zakir Nuriyev,
President of Azerbaijan
Banks Association

DIGITAL TRANSFORMATION OF BANKING SYSTEM OF THE REPUBLIC OF AZERBAIJAN



Some time ago Azerbaijan started systemic reforms of e-payments. These reforms not only expand financial markets and simplify payments between business units, but also provide for a safe and effective development of the country's economy in general. Deeper digital transformations in the banking system raise the level of application of the innovative payment solutions and make the e-payments an essential part of our every-day life, enhance confidence of the population in the e-payments.

The country is also taking complex measures to develop a payment ecosystem and to speed up the digital transformation in the banking system. Aiming to reform different economy sectors in 2016 according to the decree of the President of the Republic of Azerbaijan several strategic road maps were adopted, including the ones focused on the application of the advanced experience in the financial services, telecommunications and information technologies. One of them is the "Strategic road map on the development of financial services in the Republic of Azerbaijan" approved by the President's Decree dd. 06.12.2016. It defines priority measures to improve financial inclusion in the country, regulation mechanisms with the aim to speed up the digital transformation in the banking system, and to develop professional knowledge and skills of the financial markets players.

Within the Strategic road map the Financial Market Supervisory Authority (FIMSA) of the Republic of Azerbaijan aiming to increase access to the financial services in the country and to create an effective system of regulation and control of the non-bank providers of payment services and payment systems operators has worked out a draft "On payment services and payment systems". The draft shall classify the types of payment services, the rights and duties of the providers, the economic, legal and organizational basis for the establishment and work of payment institutes, organizations of e-money and payment systems operators, and also it shall shape the main trends of the state regulation and control over these organizations.

Based on the international experience this draft will raise the efficiency and security of the payment services, create basic principles of the payment systems, develop a form for retail payment processing and a legal basis for the regulation of the rights of the payment

services consumers. The legal basis for the issue and application of e-money - one of the most popular payment instruments in the world practice to develop e-commerce and draw different retail payments to non-cash transactions - will also be determined by this draft.

The "Strategic road map on telecommunications and information technologies in the Republic of Azerbaijan" implies higher productivity and effectiveness of companies through extended digital payments. To implement this strategy the Central Bank has prepared the "State development program of digital payments in the Republic of Azerbaijan in 2018-2020" approved by the decree of the President of the Republic of Azerbaijan on September 26, 2018.

The strategic goal of the Program is to develop non-cash payments between individuals, companies and state agencies, to minimize the volume of cash in the turnover and as a result to strengthen the financial resource base of the banking sector. The main tasks of the program are to improve the institutional environment for e-payments, to create effective measures for the banking sector recovery, to shape a healthy digital ecosystem, to raise financial awareness of the population and to develop e-services. The anticipated result is better fiscal discipline of business, transparent corporate sector including cutting off fiscal avoidance, minimized "grey economy". Moreover anticipated is a lower volume of cash and thus lower expenses on production, storage and transportation of cash.

To implement this Program the Central Bank has launched an instant payments system. In line with the current network of ATM, POS-terminals and self-service terminals the payment system will be enhanced with cash registers for businesses.

Taking business steps to improve the mechanism of regulation and ensure digital transformation in the financial sector in late 2017 FIMSA carried out a general assessment of the banking sector. The assessment specified the main legislation reforms to be conducted for faster digital transformation particularly in the bank system.

For example an important step here is to provide for a remote opening of bank accounts. The current legislation requires personal attendance of a client when opening an account.

The changes introduced by FIMSA prioritize opening accounts with an accredited e-signature and with a video-call. Besides a client who already has an account can open another one in the same bank using a special software of the bank.

To a larger extend one of the reforms necessary in the e-payments sector is a formation of a system of common digital identification. Depending on the functional opportunities this system is created basing on the information about clients of different spheres of the financial sector. The Central Bank is taking steps to work out a system of digital identification with blockchain. At this stage the tender process is completed and the relevant work group is created. The system of digital identification will speed up digital identification in the banking sector and will allow to introduce new technologies of remote opening of bank accounts.

Another reform meant for deeper digital transformation in the banking system is amendments in to the "Guidelines of emission and application of plastic cards". These amendments will provide for innovative technologies on the market of plastic cards, improve the fraud combating measures in the sphere of e-payments, further consolidate the rights of the users of e-services, ensure a successful implementation of the token-project in the country and develop contactless payment system.

Aiming to draw retail payments to the non-cash turnover, to clearer define the frames of identification procedures and transactions, to raise the effectiveness, the current limits on the prepaid cards were increased. In addition aiming at fraud combating in the sphere of payment cards the project of amendments includes the guidelines for the interaction between banks-acquirers and businesses.

According to the amendments the banks-acquirers must reveal alert cases in their service network and react swiftly, including the cases of tampering in the work of ATM, POS-terminals and other equipment.

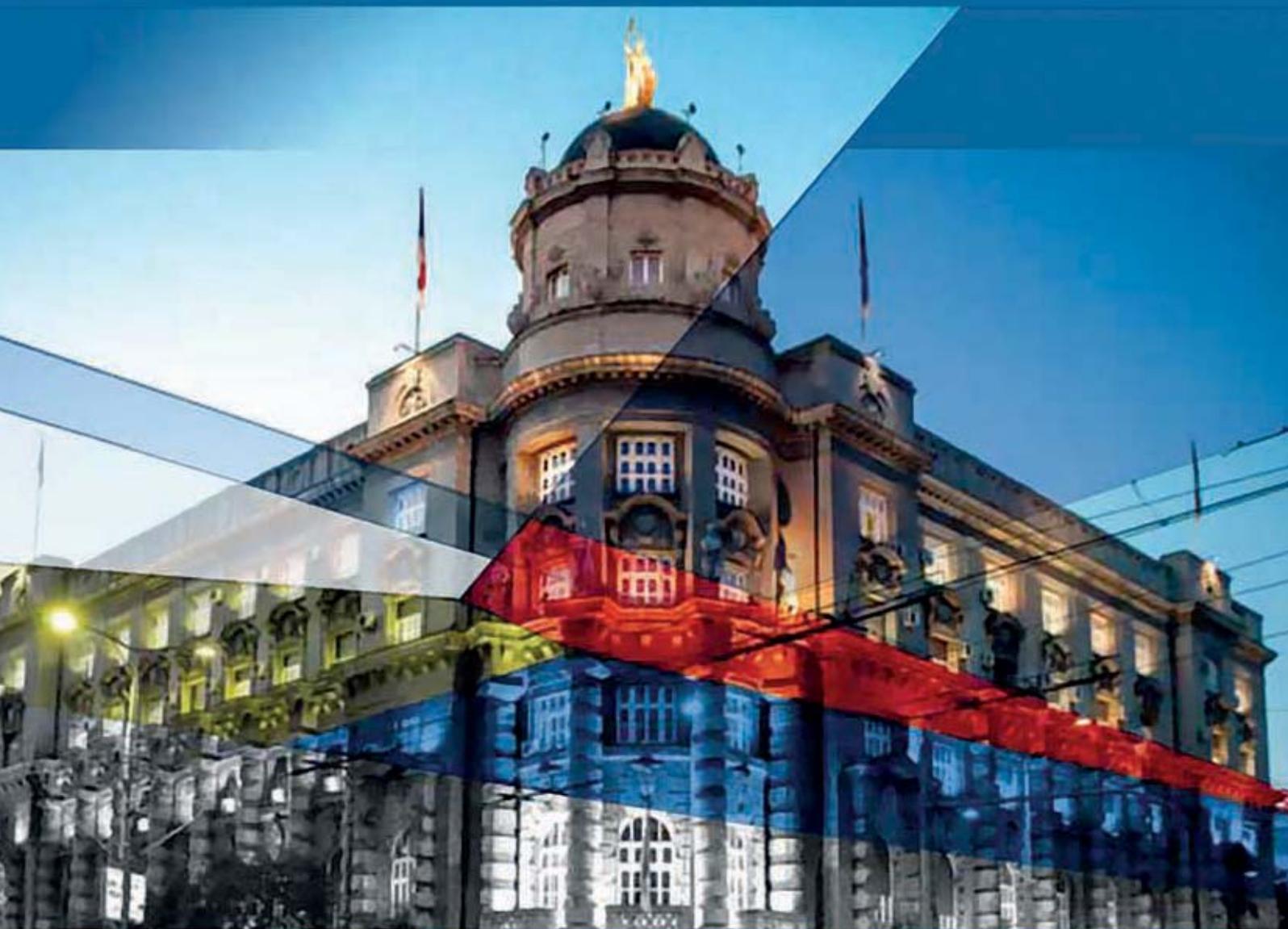
In general the abovementioned reforms and a number of other measures carried out in digital transformation will allow to increase non-cash payments in the Republic of Azerbaijan to a new level and to form a more competitive payment ecosystem in full accordance with the up-to-date requirements.



Republic
of Serbia

GOVERNMENT SECURITIES — SAFE INVESTMENT

THE NEWS THAT THE GOVERNMENT OF SERBIA INTRODUCED A NEW TYPE OF GOVERNMENT SECURITIES, I.E. SAVINGS BONDS, MADE US REFLECT ABOUT THE MAIN CHARACTERISTICS OF GOVERNMENT SECURITIES WHICH ARE, DESPITE THE BROAD RANGE OF LEGAL POSSIBILITIES, INSUFFICIENTLY PRESENT AT THE DOMESTIC MARKET, AS OPPOSED TO THE SECURITIES MARKETS IN DEVELOPED MARKET ECONOMIES CHARACTERIZED BY A LARGE NUMBER OF ISSUERS, WELL ORGANIZED INTERMEDIARIES, LONG MATURITIES AND DEEP TRUST ON THE PART OF INVESTORS.



Savings Bonds of the Republic of Serbia

Government securities in the form of savings bonds, recently issued for the first time by the Republic of Serbia, are aimed at financing the budget deficit and refinancing the matured liabilities. The purpose of this form of borrowing is pursuant to the Law on Public Debt (LPD) adopted in 2005. It stipulates the following types of borrowing as allowed: financing the budget deficit and current liquidity deficit, financing the outstanding debt, financing capital investments, acquisition of financial equipment, and settlement of liabilities in respect of granted guarantees. In our country investment into government securities has started to intensify since 2009, which is when their mass sales began as well.

In addition to government securities, according to the issuer, there are also municipal, corporate, mortgage and supranational securities (i.e. securities issued by foreign states). However, government securities are treated as the safest ones since the state usually honors its liabilities. Given that they incur the lowest risk, as a rule, these securities also entail the lowest rate of return for their owners, i.e. they get the lowest interest compared with the securities by other issuers. Government securities can be issued by: the Republic, an autonomous province, local self-governments, legal entities using budget funds, and organizations of mandatory social insurance. Government securities can be short-term and long-term (when the repayment period extends to the subsequent budget years). Their issuance takes place within the limits prescribed by the law regulating the budget of the Republic. Such securities can be purchased by all domestic legal entities and natural persons, and by foreign legal entities and natural persons under the conditions prescribed by the Government of the RS (LPS, Article 27).

The decision on issuing long-term government securities is passed by the Government of the Republic of Serbia, which may borrow in the country and abroad, in both domestic and foreign currencies. When it comes to the issuance of short-term government securities, the borrowing is exclusively in domestic currency. The clearing and settlement of government securities issued at the domestic market is conducted by the Central Securities Depository and Clearing House, whereas the Minister of Finance makes the decision about the clearing and settlement in the primary issuance of the government securities tradable at foreign markets, and chooses

the foreign clearing house. These securities are disbursed upon maturity defined by the issuance bylaw, although disbursement is possible before maturity if that option is specified by the mentioned bylaw. It is possible for the Republic to purchase the securities before maturity provided that all investors are granted this possibility.

The Decision on Issuing Savings Bonds of the Republic of Serbia, published on 10.11.2017, specifies their main elements: the issued amount of 3 billion RSD, i.e. 20 million EUR, with 2-, 3-, 5- and 10-year maturity, sales per piece in the nominal value of 2,000 RSD or 100 EUR. Investors into savings bonds can only be resident citizens above 18 years of age, with the maximum purchase of 5,000 pieces of dinar or 500 pieces of euro savings bonds per issuance and per maturity. The accession period for purchasing these savings bonds lasted from 20 November until 18 December 2017. The distribution of savings bonds is conducted according to the priority principle - the priority was on the part of investors who first applied for the purchase. Savings bonds, issued in the name of the bearer, in non-material form, and registered with the Central Securities Depository and Clearing House, were purchased via the business network of the Postal Savings Bank in the form of bonds with the annual coupon disbursement. The coupons mature on 27 December 2019, 2020, 2022 and 2027.

Investors, i.e. the legal holders of savings bonds, pursuant to Article 40d of the Decree on General Terms and Conditions for Issuing and Selling Government Securities, may file a Request for Premature Disbursement of Savings Bonds of the RS at the primary market after 12 months since the issuance date, except in the case of a serious illness when it is allowed to file this request even sooner. Premature disbursement incurs the calculation of fees.

Government securities, either in dinars or in euros, including savings bonds, are tax exempt, which is another advantage of theirs. Namely, there are three main advantages of purchasing government securities:

1. Low credit risk;
2. Higher earnings than from saving in banks;
3. Exemption from taxes.

It is a generally accepted view that bonds are less exposed to risk than shares, meaning that when funds are invested into shares the investor is directly exposed to both failures and successes of the issuer (state, company, etc.), as well as to the overall conditions at the mar-

ket. By investing into bonds the investor knows precisely when to count on a certain cash inflow. If the market is unfavorable, the investor can give up selling a share whose value is decreasing, although it is also possible for him not to achieve any revenues from dividends waiting for more favorable circumstances to happen. Investing into bonds, the investor achieves the inflow from the interest that can be reinvested while he expects the return on the principal. Bonds issued by entities certain to service their liabilities are awarded the so-called "investment grade", whereas those entailing higher risk are called junk bonds. Due to the uncertainty they imply, as a rule, they also entail higher revenues and higher interest rates.

The bond ratings are published by the worldwide specialized agencies like: Moody's, S&P and Fitch. More precisely, they provide two different types of a country's credit rating: issuer's rating and debt securities rating. Credit rating agencies have a major impact on the financial market since both investors and issuers closely monitor their ratings. The rating of an issuer or a bond affects the cost of borrowing for the issuer. The rating awarded to a country influences the credit ratings of other issuers seated in that country.

Domestic Experience So Far

We resorted to the Belgrade Stock Exchange data, trying to learn more about the experiences in trading government securities in Serbia. Total turnover in respect of securities of the Republic of Serbia at the Belgrade Stock Exchange in the past fourteen and a half years amounted to 1.1 billion EUR. The largest share of bonds of the Republic of Serbia in total Stock Exchange trade was recorded in 2015, when these securities accounted for 23.73% in total turnover. The highest annual turnover of these bonds was achieved in 2007, amounting to 207 million EUR. The biggest number of transactions in the Stock Exchange trade was recorded in 2003, when there were 82.81 thousand transactions. The average size of transactions has been increasing over the years. In the first three years of the Stock Exchange trading the average size of an individual transaction ranged from 1,000 to 2,000 EUR, whereas in the period from 2014 until May 2016 the average transaction size rose to several dozen thousand euros.

For investors, evidently enough, government securities in dinars are most attractive. These are the securities whose disbursement is guaranteed by the Government of Serbia, and which achieved the turnover of 271.7 million EUR in the

Table 1

**Main Characteristics of Savings Bonds
of the Republic of Serbia**

Maturity (in years)	Maturity date	Elements	CURRENCY	
			DINAR	EURO
2	27 December 2019	Issuance volume:	3.000.000.000	20.000.000
		Coupon rate:	4.000%	1.000%
		Premature repayment	after 12 months	after 12 months
		Coupon rate for premature repayment:	3.000%	0.500%
3	27 December 2020	Issuance volume:	3.000.000.000	20.000.000
		Coupon rate:	after 18 months	after 18 months
		Premature repayment	4.500%	1.750%
		Coupon rate for premature repayment:	3.500%	1.000%
5	27 December 2022	Issuance volume:	3.000.000.000	20.000.000
		Coupon rate:	5.250%	2.500%
		Premature repayment	after 30 months	after 30 months
		Coupon rate for premature repayment:	4.000%	1.750%
10	27 December 2027	Issuance volume:	3.000.000.000	20.000.000
		Coupon rate:	6.250%	4.000%
		Premature repayment	after 60 months	after 60 months
		Coupon rate for premature repayment:	5.500%	2.750%
Nominal value of a savings bond			2.000 RSD	100 EUR
Maximum number of savings bonds per investor, issuance and maturity			5.000 pieces	500 pieces
Coupon rate for premature repayment in the case of a serious illness			12 months ≤ deadline: 2.750%	12 months ≤ deadline: 0.250%
			12 months < deadline ≤ 18 months: 3.250%	12 months < deadline ≤ 18 months: 0.750%
			18 months < deadline ≤ 30 months: 3.750%	18 months < deadline ≤ 30 months: 1.500%
			30 months < deadline ≤ 60 months: 5.000%	30 months < deadline ≤ 60 months: 2.500%

* The coupons' maturity date is 27 December. The coupons are disbursed annually until the savings bonds' maturity.

Source: Public call for the purchase of savings bonds of the Republic of Serbia, Public Debt Administration, Ministry of Finance of the Republic of Serbia

first eight months of 2017. This amount accounts for as much as 85% of the turnover achieved in the same period in respect of all securities traded on the

capital market of Serbia. In the first eight months of 2017 at the domestic capital market the government securities of the series RSO15105 were the

most traded ones. These are the three-year dinar bonds maturing for disbursement in early March 2018, whose total turnover amounted to over 8.6 billion

Credit rating of the neighboring countries in the category of long-term borrowing

Table 2

Country	Rating agency – Credit rating for long-term borrowing		
	S&P	Fitch Ratings	Moody's
Serbia	BB	BB	Ba3
Bosnia and Herzegovina	B	–	B3
Montenegro	B+	–	B1
Macedonia	BB–	BB	–
Bulgaria	BBB–	BBB	Baa2
Romania	BBB–	BBB–	Baa3
Hungary	BBB–	BBB–	Baa3
Croatia	BB	BB	Ba2

Source: Bloomberg

The review of the current credit ratings for long-term FX borrowing of the Republic of Serbia provided by the credit rating agencies:

Eurozone

Interest rates on government securities in the Eurozone have been low for quite some time, because the central banks purchase government securities from investors in the effort to boost economic growth by injecting higher liquidity. The European Central Bank cut the key interest rates to zero percent and launched a major securities purchase program, aiming to recover the Eurozone economy and increase inflation.

In mid-2017 it was published that, in the period from 2012 to 2016, the European Central Bank (ECB) earned 7.8 billion EUR from interest on Greek bonds which it had purchased to support the recovery of this country's fragile economy. Mario Draghi, President of the ECB, explained that these bonds were obtained as part of the Bank's asset-backed securities purchase program, and that the achieved profit was distributed among the central banks of the 19 Eurozone countries. The program was launched at the beginning of the Eurozone debt crisis in 2010, in order to mitigate the market pressures to the member states' borrowing, and it preceded the more ambitious securities purchase program, called quantitative easing - QE, launched by the EBC in 2015. So far, the European creditors and the IMF jointly participated in the three programs of financial support to Greece, their total value exceeding 240 billion EUR. Germany participated in these programs with the largest funds, having provided 30% of the total amount.

With reference to the profit based on purchasing the Greek debt, in mid-2017 the Munich journal, Die Deutsche Zeitung, published that Germany had earned 1.34 billion EUR from new loans and purchased securities used to save Greece from the financial ruin. The journal further elaborates that Germany achieved the biggest profit by purchasing QE bonds in order to help the countries affected by the financial crisis, including Greece. The mentioned 1.34 billion EUR are only a part of the profit acquired by Germany in the past years of the financial crisis in Greece and the entire Eurozone. The Leibniz Institute for Economic Studies in Munich, based on its research results,

Credit rating of the parent countries of banks operating in the Republic of Serbia

Table 3

Country	Rating agency – Credit rating for long-term borrowing					
	S&P		Fitch Ratings		Moody's	
	Foreign currency	Domestic currency	Foreign currency	Domestic currency	Foreign currency	Domestic currency
Austria	AA+	AA+	AA+	AA+	Aa1	Aa1
Greece	B–	B–	B–	B–	Caa2	Caa2
Italy	BBB	BBB	BBB	BBB	Baa2	Baa2
Hungary	BBB-	BBB-	BBB-	BBB-	Baa3	Baa3
Germany	AAA	AAA	AAA	AAA	Aaa	Aaa
Russia	BB+	BBB–	BBB-	BBB–	Ba1	Ba1
USA	AA+	AA+	AAA	AAA	Aaa	Aaa
Slovenia	A+	A+	A–	A–	Baa1	Baa1
France	AA	AA	AA	AA	Aa2	Aa2
Норвегия	AAA	AAA	AAA	AAA	Aaa	Aaa
Turkey	BB	BB+	BB+	BBB–	Ba1	Ba1
UAE	–	–	–	–	Aa2	Aa2
China	A+	A+	A+	A+	A1	A1
Czech Republic	AA	AA	A+	A+	A1	A1

Source: Bloomberg

RSD. The second and third most traded bonds are the dinar bonds maturing in April 2018.

Republic of Serbia cooperates with the rating agencies S&P, Moody's and Fitch, which assess its credit rating in respect of short-term and long-term borrowing, in both domestic and foreign

currencies. The first credit rating B+ (stable prospects) was awarded to Serbia by S&P on 1 November 2004. The Fitch rating agency was hired in 2005, when it awarded rating B- (stable prospects) to Serbia, whereas Moody's awarded it its first rating B1 (stable prospects) in July 2013.

concluded that Germany obviously benefited from the Greek crisis. "Every time in the recent years when the financial markets faced some bad news from Greece, the interest rates on the German government securities dropped, and every time there was some good news, the revenues increased." The profit on these securities was earned by other countries as well, including the USA, France and the Netherlands, but not to such an extent as Germany. Two years ago, the Leibniz Institute disclosed that Germany had earned about 100 billion EUR from lower interest rates on securities issued by the Government at the time they were in high demand, because foreign investors considered them a safe haven, as opposed to other Eurozone countries.

Another "first" in relation to government securities happened in France. Namely, the first issuance of green government bonds started in France in early 2017. Thus, France became the second country, after Poland, to issue government securities for the purpose of financing environmental protection projects. They differ from the classic bonds in that they are used to finance specific green investments without incurring any additional risks for the investors. The announcement that France will be the first country to issue green bonds was released by its Government at the Conference on Energy Transition, in April 2016. However, Poland was quicker, and issued green government bonds worth 750 million EUR.

Also interesting to examine are the experiences in trading government securities

in our two neighboring countries. In February 2017, the citizens of Hungary invested about 30 billion forints (100 million EUR) of their savings into government securities thanks to the high revenues these securities offered. The citizens now own the Hungarian debt securities in the total value of 776.2 billion forints, which is the highest amount in the past two and a half years. According to the data of the Government Debt Management Agency (AKK), each segment of the government debt

securities owned by the citizens has been recording considerable growth. The government's advertising campaign has obviously been fruitful although the high revenues, in some cases exceeding the inflation rates by as much as five percentage points, largely contributed to such results. Last summer the Government gave the citizens a chance for new investments into debt securities with shorter repayment deadlines. Foreign investors, primarily American funds and banks, are present at the government securities markets in Hungary, Poland and Romania, their share ranging from 20 to 30 percent.

As opposed to Hungary, Poland and Romania, the securities market in Cro-

tia almost has no foreign investors at all. In November 2016 the revenues on government securities in these three countries surged, whereas in Croatia they continued to decline until the Agrokor crisis in April 2017. The drop in revenues on the Croatian securities has recently been affected by the improved fiscal and economic results, lower exposure of the investors to the Croatian securities, better risk perception, the somewhat lower need for financing in 2018 and 2019, as well as the fairly stronger development of the long-term yield curve, which in July 2017 resulted in the issuance of the domestic bond with the 15-year maturity.

Norwegian Oil Fund as the Leader among the Government Securities Owners

When it comes to foreign investors, it is interesting to mention the largest investment fund in the world, i.e. the Norwegian Oil Fund, whose decision to sell the securities of 23 worldwide countries, in mid-September 2017, came as a big surprise for the international financial markets, causing just as much apprehension that this might strike a blow to the global debt market.

The letter by Norges Bank, under whose jurisdiction the management of this fund is, suggests that the Oil Fund in the future invests only into the government and corporate securities denominated in the euro, US dollar and British pound. Currently, the Oil Fund manages 987 billion USD of assets, one third of which is invested in securities. Norges Bank elaborates on this proposal in the following way: "In the long run, the profit from a wide international diversification is significant for shares, and moderate for bonds. For an investor whose 70% of assets is invested into shares, the reduction of the diversification risk through investments into a large number of currencies is negligible." If this proposal gets approved by the Government, this does not mean that the Fund immediately starts to sell off its securities, however, the analysts believe that other investors could follow the Oil Fund, which could, due to its size, have smaller or bigger consequences for the Japanese yen, Swiss franc, Canadian dollar and the currencies of some other countries.

Those well versed in investment funds management consider the Oil Fund's decision understandable, given the expected growth of inflation in the developing countries, and the fact that this Fund primarily deals with long-term

REFERENCE

Five-Year Greek Bonds

In July 2017, the Government of the Greek Prime Minister, Alexis Tsipras, announced that, after a three-year pause, the sale of the five-year Greek bonds was successfully completed. These bonds were worth three billion euros, with the interest rate of 4.625%. This was substantially lower than the previous issue of bonds from 2014, when the interest rate was 4.95%. The government representatives stated that this market comeback confirmed the positive developments in the Greek economy, marking the first stage of exiting the crisis.

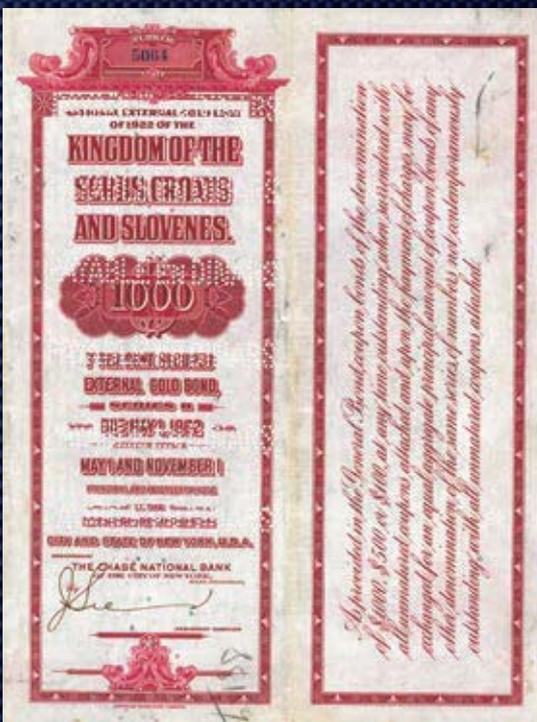
Germany is one of the three Eurozone countries with the highest AAA credit rating. In the middle of the last year, for the first time, Germany sold its government securities, worth over 4 billion EUR, with the negative interest rate of -0.05% and the repayment deadline of 10 years. Unusually enough, for the first time the investors accepted the negative interest rates and will be paying for the privilege of owning the German securities. In general, the German bonds are taken to be the benchmark at the debt markets, and are considered the safest investments at the financial markets, especially given the apprehension surrounding Brexit and the impact of other economic afflictions.



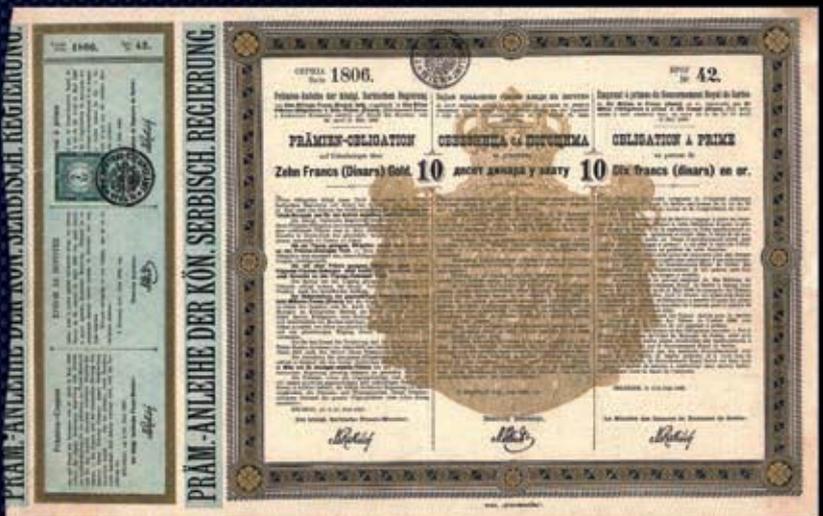
▲ Date of issue – 01.07.1881, nominal value – 100 dinars, country of issuance – Serbia. Bond issued by the Minister of Finance



▲ Date of issue – 01.06.1931, nominal value – 1000 French francs, country of issuance – Yugoslavia. Bond issued by the Ministry of Finance of Yugoslavia



▲ Date of issue – 1922, nominal value – 1000 dollars, country of issuance – the USA (Loan issued to the Kingdom of Serbia, Croatia and Slovenia). Bond issued by Chase National Bank of the city of New York



▲ Date of issue – 3/15.06.1888, nominal value – 10 dinars gold, country of issuance – Serbia. Bond issued by the Minister of Finance

Date of issue – 01.07.1910, nominal value – 500 francs, country of issuance – Serbia. Bond issued by Land Loan Bank of the Kingdom of Serbia



▼ Nominal value – 100 dinars, country of issuance – Bosnia and Herzegovina. Bond issued by the Minister of Finance



REFERENCE

What are Bonds?

Savings bonds are long-term, coupon-based securities with two-year or longer maturity, which can be purchased only by resident citizens above 18 years of age. They guarantee the annual disbursement of interest to the investor, within the previously specified periods until maturity, as well as the disbursement of the nominal value of bonds upon maturity date.

investments wishing to avoid the mentioned risks. It has been assumed that the process of selling the government securities will go slowly, since this is in the Fund's interest, because otherwise the decreased value of securities would imply that their owner has no other choice but to sell a part of them at a lower price.

Results of the Serbian Savings Bonds Sale

Finally, let us go back to the savings bonds of the Republic of Serbia, for whose purchase the citizens were able to pay funds incurring no fees by 18 December 2017 at the special counters in all branches of the Postal Savings Bank. Other than payment, these counters enabled the citizens to complete all other required procedures, such as opening the account on which the money is to be paid, and the account with the Equity Fund for the purpose of registering the ownership over the purchased bonds. This time the state acknowledged the criticism accompanying the issuance of government securities, wishing to simplify the procedures of their purchase, thereby attracting a larger number of interested citizens. To this end, some technical simplifications were introduced: to own these securities, one does not need to go to a broker, the buyers of long-term securities were granted the option of premature collection, and for the first time one Serbian bond got insurance elements, because in the case of a serious illness, its owner can withdraw the invested funds with a part of the interest.

During the first sale realized on 27 December 2017, the citizens purchased the bonds worth 17.5 million EUR. Among the bonds issued in the amount

of 80 million EUR, the most wanted ones were those with ten-year maturity, sold in the value of 10.6 million EUR, and the least wanted were the two-year bonds, subscribed in the amount of 924 thousand EUR. The state expected the sale of dinar bonds in the value of 12 billion RSD, whereas the citizens purchased them in the amount of only 195.7 million RSD. Evidently, the most interesting were the euro-denominated securities, along with the bonds with the highest annual yield, and those with the longest maturity. When it comes to dinar bonds, the largest amounts were purchased in the category of five-year bonds, in the

amount of about 82 million RSD, and ten-year bonds, in the amount of 76 million RSD. Although these bonds arrived at the right time, given that the bank interest rates on classic savings have never been lower, these data lead to the conclusion that the results of the first sale have not shown a particularly prominent interest on the part of the citizens.

Therefore, it is necessary to provide a stronger marketing support for the issuance of these savings bonds, while the state and its financial institutions inform the public into more detail, educating the citizens about the business principles and safety of profit acquired through such securities trading. Moreover, as underlined by the relevant experts, the biggest drawback of these financial instruments is the lack of the secondary market and the consequent inability of reselling, which might be a big problem for ten-year bonds especially. The motivation for the state to persevere in these intentions is clear, if we bear in mind that the issuance of government securities is a method of financing typically used by the developing countries, since it facilitates the inflow of the highly needed capital into the economy, at the same time providing substantial profit to the investors at the lowest possible risk estimated for the concerned country, while the indirect effects for a developing economy can be even more significant.

REFERENCE

The Purpose of Issuing Savings Bonds

The Republic of Serbia, with a view to encouraging the dinar savings of its citizens, introduces a new form of long-term securities, i.e. savings bonds. The development of the new segment of government securities is aimed at increasing the trust of domestic investors and the share of domestic sources of finance in financing the budgetary needs of the Republic of Serbia.

Investing into savings bonds is the safest investment for the citizens of the Republic of Serbia because the disbursement in respect of these bonds is fully guaranteed by the state. Savings bonds enable the citizens of the Republic of Serbia to invest into government securities without any mediation costs, and to gain profit without any risk.

BIFF | BISHKEK INTERNATIONAL FINANCE FORUM 2019

«Modern Trends in the Financial Market. Challenges and Prospects»



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KASPERSKY Lab



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The Bishkek International Financial Forum - BIFF2019, is an annual large-scale financial and business event that is the best platform for exchanging opinions, discussing the latest trends in the financial sector, finding partners in the Kyrgyz Republic and other neighboring countries.

If you have any questions: 0555 856785 (WhatsApp / Viber), sarybaev@ub.kg

BLOCKCHAIN AND THE BANKING SECTOR OF THE REPUBLIC OF MALTA





Pierre Clive Agius,

Ambassador of Malta
to Russia

Introducing a recently-published Consultation Document on the Maltese FinTech strategy, Joseph Cuschieri, the Chief Executive Officer of the Malta Financial Services Authority (MFSA), noted that “the digital revolution is bringing about disruption to every sector of business, with the financial services industry being no exception.” Recent technological advancements such as artificial intelligence, distributed ledger technology, the internet of things and cloud technologies, are rapidly transforming the way customers access financial services and engage with financial products providers.

The banking sector is also part of this revolution. It comes as no surprise, that banks around the world are looking at the potential benefits of such technology, given the increasing popularity of blockchain. According to the management consulting firm Accenture, through the adoption of blockchain, the global banking industry could save as much as \$20 billion by 2022. Top international banks are investing significant resources to develop blockchain bank solutions, with the key goals being a reduction in time, costs and bureaucracy.

The Maltese banking sector, recognised by the World Economic Forum amongst the top 30 worldwide in terms of stability, has always been at the forefront in adopting new strategies, tech-

nologies and products, and therefore the consideration of blockchain technology is a next natural step in their development. One of the major Maltese banks has already indicated that it is studying the positive outcomes that these technologies can bring about to their operations. Most significantly, this technology can be used to improve existing lengthy banking processes, be it the opening and maintaining of bank accounts, the execution of trade finance operations, or the issuing of loans or payments.

The Maltese Government and the MFSA are pro-actively addressing these realities by building the necessary infrastructure, allowing banks and other financial services operators to thrive in these new realities. Whilst Malta has been a first mover to comprehensively regulate the blockchain industry, Government and the financial services regulator, are aware of the additional challenges linked to the distributed and borderless nature of such products, as well as the complexity in managing risk and ensuring compliance with AML/CFT requirements. In order to maintain high-levels of cyber-security, technology itself needs to be at the heart of business process design, data management and compliance functions. This is the key to success of the advanced technologies in the financial sector ensuring further banking development.



Meeting with the Ambassador of the Republic of Malta to Russia Pierre Clive Agius. FBA EAC headquarters

TWO TYPES OF CUBAN PESO

“ IN THE INTERNATIONAL STANDARD ISO 4217, WHICH ESTABLISHED TRIGRAM ALPHABETIC AND TREE-DIGIT NUMERIC CURRENCY CODES, THERE ARE TWO CODES LISTED FOR CUBA AT ONCE - CUP (CUBAN PESO) AND CUC (CUBAN CONVERTIBLE PESO). WHEREBY LOCALS TRADITIONALLY CALL THE FIRST MONETARY “PESO”, BUT THE SECOND SIMPLY “CUC”. BOTH OF THEM CONSIST OF 100 CENTAVOS.

”





Vitaly Krasnikov, analyst

Cuba is a unique country- following some global trends, it still chooses its own special development path including in the financial sector. Today everyone who comes to the Liberty Island, faces the necessity to absorb two monetary units that are in parallel circulation in the country.

In the international standard ISO 4217, which established trigram alphabetic and tree-digit numeric currency codes, there are two codes listed for Cuba at once - CUP (Cuban peso) and CUC (Cuban convertible peso). Whereby locals traditionally call the first monetary "peso", but the second simply "cuc". Both of them consist of 100 centavos.

Before the middle of the 19th century, Spanish reales circulated in Cuba. From that time, banknotes were issued specifically for use on Cuba. In 1881, the peso was pegged to the US dollar at par.

In 1960, the peg to the US dollar was replaced by one to the Soviet ruble. When the Soviet Union dissolved, the peso lost much of its value. Today it is used only within the country.

But tourist interest in Cuba forced the National Institute of Tourism to take a decision about the issue of the special "guest" banknotes, represented by coins and special certificates containing the words 'Intur'. In fact, it was a prototype of modern "cuc", which were issued in 1994.

The division of currencies into convertible and non-convertible was also affected in the plots, depicted on banknotes. Thus coins and bills "peso" contain portraits of the national heroes of Cuba as well as scenes, that show the cultural and historical features of the state. Pictures of the main touristic sights, buildings and monuments can be found on "cuc".

The image of Ernesto Che Guevara takes a special place in the design of banknotes and coins. The first note with his portrait was issued in 1993 and since then the denomination of three pesos on the bills and coins of both currencies in circulation has been dedicated exclusively to him. Bills which contain the signature of Ernesto Che Guevara who held the position of president of the National bank of Cuba, are especially appreciated.

In 2013 there have been reports of the beginning of the process of reaching monetary unification, providing for a gradual transition to a single Cuban currency. At first it will significantly facilitate domestic calculations and at the same time it will make life easier for tourists because they often become the victims of fraudsters who skillfully use the ignorance of the guests of Liberty Island in the matter of local specificities of money circulation.



Andrey Lisitsyn,

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Advisor to the Chairman of
the Coordination Council of
FBA EAC, Leading Researcher
Institute of Industrial Policy
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Financial University under
the Government of the Russian
Federation

«DIGITAL BELT»:

OPPORTUNITIES AND PROSPECTS

Eurasia is the largest continent where there are various models of economic cooperation including within the framework of the economic unions of EAEU, EU, APEC and others. However in spite of similar objectives and goals, these unions practically do not create tools for business interaction across the continent. The urgency of this problem cannot be doubt and the search for its solution led to the birth of a project concept, the implementation of which will help to form market mechanisms to reduce barriers for the interaction of economic actors in the Eurasian space. And the Eurasian Economic Union can (but in a way should) take a central place in the creation of such mechanisms.

As is known, the EAEU was formed and developed in order to create conditions for sustainable development of the economies of member states, forming a single market for goods, service, capital and labor recourses within the Union, comprehensive modernization, cooperation and increasing the competitiveness of national economies in a global economy.

The most important foreign economic partners of the EAEU are the European Union (EU) and the People's Republic of China (P.R. China) but the territorial location of the EAEU member states relative to the EU and China defines a critical infrastructural and commercial importance of the Union in its interaction with these partners.

But at the same time the possibilities of developing cooperation are compounded by such factors as the labor intensive of policy coordination processes by international legal means and mechanisms, the presence of significant structural, quantitative and qualitative differences in economies and the lack of compatibility of economic systems, the vast overall territorial extent of states as well as cultural, linguistic and national diversity.

However the negative impact of these factors can be reduced through the use the initiatives of business that means through the use of market tools and mechanisms that reduce supply and demand from various locations and jurisdictions. And in the conditions of the development of the digitalization of society the effective way to introduce such mechanisms is the use of a digital platform.

The digital platform is a complex of information-technical and organizational-legal mechanisms, providing to remote interaction between market participants through standardization and

automation of business processes. The objectives of this interaction are the selection and sale of goods, works and services with low cost through the maximum transparency of information, the settling of the maximum volume of demand and supply, and the providing of effective mutual settlements with minimum transaction and conversion costs.

Digital platforms will allow the integration of various services, for example, on the proposal and selection of goods, works and services ("boards" of announcements), to ensure fast, guaranteed and confirmed execution of payments (payment systems), to implement compliance procedures, to conclude, change and confirmation of the execution of agreements (electronic document management system), to hedge currency and credit risks and the application of tools of commodity exchanges (financial services).

Such platforms are a key infrastructural element for removing barriers to economic cooperation including on the Eurasian space. That's why the idea of creation **the EuroAsian digital platform "Digital Belt"** appeared.

According to the concept, the platform "Digital Belt" should include the following elements:

- 1) A set of standards and rules for the operation of the platform, consistency with the law and agreed with the regulators.
- 2) The platform portal on the Internet is a platform where information on goods, works and services as well as on conditions for their sale and purchase will be posted.
- 3) The system of electronic document management and interaction based on the technology of distributed ledger, that provide verification of information included in the system and actions with them including the implementation smart contracts.
- 4) The system of compliance procedures recognized by parties, KYC-procedures and in general AML procedures insuring compliance with the regulatory requirements of all countries whose representatives participate in the platform.
- 5) The system of implementation of actions on currency control, including reporting on currency transactions.
- 6) The system for reducing conversion costs and currency risks based on the organization of settlements using a digital settlement and clearing system.
- 7) The system of organization of mutual exchange trade in the territory of countries whose representatives participate in the work of the platform.

In implementing of the project "Digital Belt" will have to be addressed such tasks as creating an information technology infrastructure of the platform, ensuring the operation of the platform before creating the need international legal framework for coordinating and harmonizing regulation and control, attracting suppliers of goods, works and services as well as consumers to services platform, building international legal and institutional framework to ensure the continuous functioning of the elements of a single market space platform.

Prior to the approval of international agreements a key tool to solve the tasks of the creation the platform "Digital Belt" may be the use of "regulatory sandboxes" – mechanisms for implementing pilot innovation projects, some elements of which fall outside the current legal regulation system. Currently "regulatory sandboxes" are being created in most states of the Eurasian space and it will allow to obtain the necessary tools by combining key project participants from various states.

As part of the integration processes in the Eurasian space, the Digital Belt platform **will allow:**

- 1) to carry out the actual generation of key elements of a single market in the platform space in pilot regime and then in constantly regime.
- 2) to test key issues of integration processes in relevant areas on order to accelerate the harmonization of regulation and policies at the international level.
- 3) to ensure the introduction of modern digital tools and mechanisms with the participation and under the control of regulators of all interested countries.
- 4) to reduce economic, cultural and other obstacles to maintain the international business in the platform space.
- 5) to improve the transparency of regulatory and other requirements for doing business in the territory of the states included in the platform space.
- 6) to reduce business costs of trading in goods, works and services in the platform space.
- 7) to make a complex transition to settlements in national currencies in the platform space or its part thereof (for example in the EAEU or EAEU-China).
- 8) to increase the availability for customers of goods, works and services provided by countries entering the platform space.

The creation of the “Digital belt” platform should be carried out on a multi-pronged basis involving a series of sequential actions divided into stages.

REFERENCE:

The Eurasian Economic Union is an international organization of regional economic integration with international legal personality and established by the Treaty on the Eurasian Economic Union.

The EAEU introduces the free movement of goods, capital, services and people and provides for common coordinated policies in sectors of the economy. Member states are Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia

The first stage is the introduction of key elements of the platform on the basis of the current regulation and the mechanism of “regulatory sandboxes”. This process will include the following main activities:

- creation of an information portal;
- formation of organizational and legal basis for the functioning of the platform (decision-making and control bodies, as well as a system for ensuring the operation of technologies and processes of the platform);
- development and approval of requirements and standards of the portal and platform;
- expansion the representation of specialized regulators in the bodies of the platform operator and its organizational structure;
- coordination with specialized regulators that regulate and control advertising, the standard for promoting goods, works and services using the platform;
- creation of an expert coordination council on the formation and maintenance of the platform with the partic-

ipation of representatives of regulators;

- introduction of key elements and services of the platform in the “regulatory sandbox” mode.

At this stage expect for the information and technical component, the development and implementation of standards that will comprehensively provide the rules for the operation of the platform is essential. Among other things, the standards will regulate: the content of the portal; disclosure of information about the provider and the proposed goods, works and services; the use of personal data of users; ensuring information security and combating fraud when using the platform; realization of requests to counter the laundering of proceeds from crime and the financing of terrorism; implementation of currency control in the commission and execution of transactions.

The standards for individual services of the platform is also going to be introduced, including for the electronic document management system, a system for reducing of conversion costs and currency risks and a system for organizing mutual exchange trading in the platform space.

The second stage is the formation of a permanent international legal framework for the operation of the “Digital belt” platform. At this stage it is expected, above all, the implementation of the following activities:

- evaluation of the results of the pilot operation of the platform services;
- preparation of the concepts of the necessary international agreements based on the evaluation of the performance of the services of the platform in the framework of the “regulatory sandbox” and the position of regulators;
- conducting conciliation procedures for the concepts of prepared international agreements and the development of relevant projects;
- ensuring the continued operation of the platform in the “regulatory sandbox” mode until the approval of the relevant international agreements;
- adoption and approval of international treaties.

At this stage the harmonization of regulation at the supranational level (primarily within the framework of the EAEU) by international legal means gains the particularly important. That's why the main task here is the development and implementation of international agreements that will lead to find

a common denominator a number of standards introduced at the first stage of the functioning of “Digital belt” and in general will ensure its further development.

The third stage is ensuring the continuing operation of the “Digital belt” platform. This period will be characterized by the full scale harmonization of standards, technological and other processes in line with accepted international agreements as well as with the work of the platform in the “regulatory sandbox” mode in areas where there are no international agreements yet.

In parallel, taking into account the experience, it is proposed to develop directions for expanding the composition of the regions where the platform functions and (or) services. It is necessary to add that in the process of promoting this platform, there is an opportunity to use it not only in the Eurasian space but also in the space of South and Central America and Africa.

The creation of “Digital belt” is a fundamental infrastructural task. It will require the consolidation of recourses and efforts of business, government bodies and science. So at the first stage, it will be necessary to remove risks of unfair advertising and develop effective mechanisms to protect of rights of users of remote services, and provide the legal conditions for remote acceptance of clients as well as to reduce currency regulation and currency control.

However, there are grounds to believe that it is now the economic and technological conditions were ripe for the realization of such a project. But its implementation is impossible without the consolidating and balancing organizational role of the public non-profit organization and therefore it is useful to make the operator of the platform the Financial and Banking association of EuroAsian cooperation.

At the FBA EAC site representatives of the business communities of most countries of the Eurasian region combine their efforts and representatives of not only business, but also representatives of national and supranational regulators participate in the Association's management bodies and monitoring bodies. Moreover, the decision to launch the project was taken at the general meeting of the FBA EAC in March of this year.

This is only the beginning, but, as Lao Tzu says “A journey of a thousand li begins with one step”. The main thing is to make this step.



FEDERATION
OF BADMINTON
OF THE OREL REGION

Organizer:

Federation of Badminton of the Orel Region
with the support of FBA EAC

Location:

Orel Region, Orel, TMK "Grinn"

**OPEN INTERNATIONAL YOUTH TOURNAMENT
ON BADMINTON OF EURASIAN COUNTRIES**

Altair

Russian Federation, Orel

MEMBER STATES:

Russian Federation (territorial entities), Belarus, Armenia,
Kazakhstan, Kyrgyzstan and others.

NUMBER OF PARTICIPANTS: 256

International youth tournament on badminton is
a personally-command competition format among boys
and girls in the categories up to 17 years old and up
to 15 years old.

**NOVEMBER 20–24,
2019**

For sponsors and partners

Conducting such a large-scale sports festival will give a powerful impetus to the establishment of political and economic ties between the participating countries of the tournament.

As a sponsor of the competition you make a huge contribution to the socio-cultural development of our country.

The support of the International Youth Badminton Tournament will provide your company with increased loyalty both in the Russian Federation and abroad.



ORPO "Federation of Badminton of the Orel Region" was created initiated by the current President of the Federation - pilot-cosmonaut, Hero of Russia - **Alexander Misurkin**.

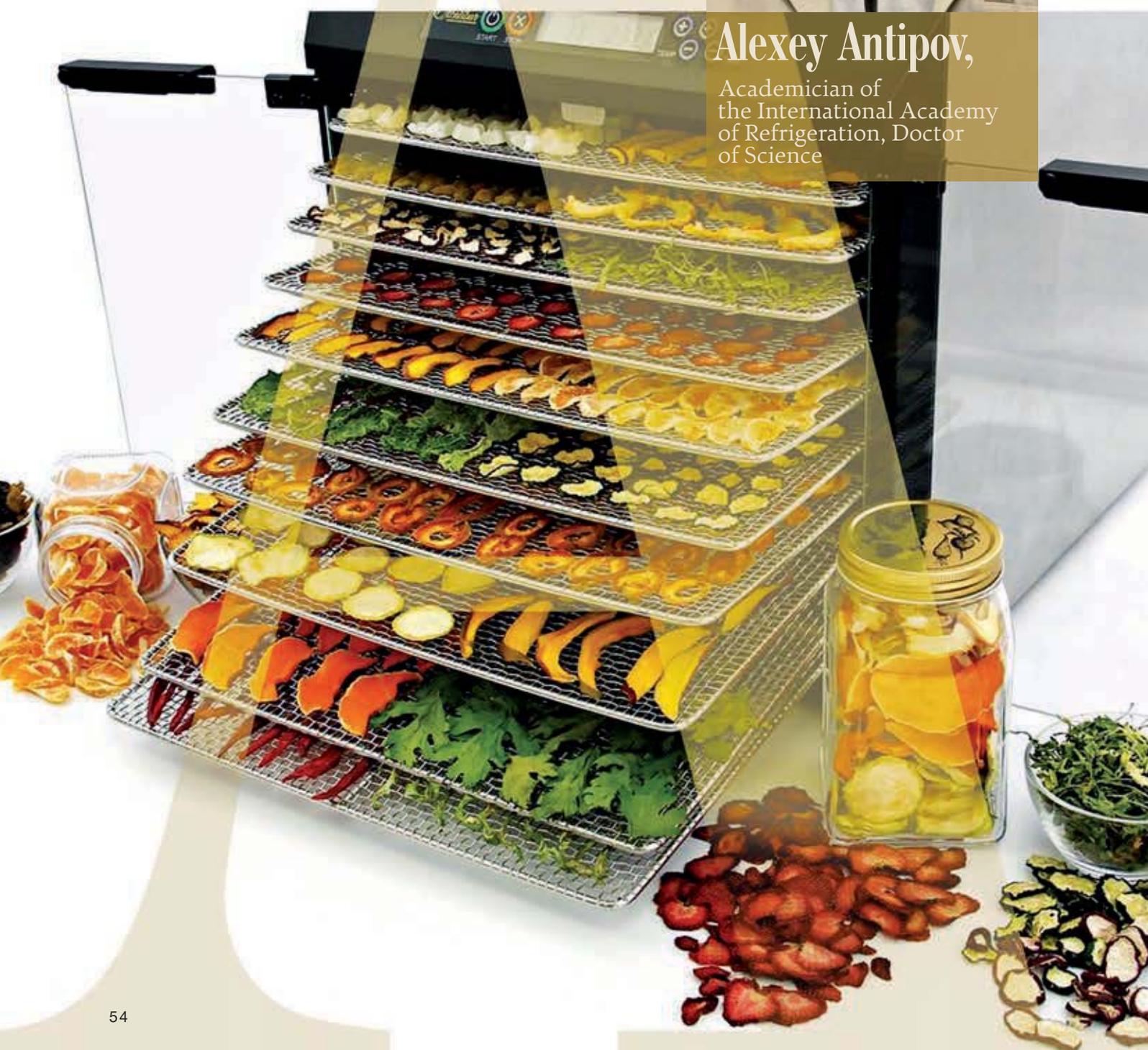
The tournament is included in the Unified calendar plan of the Russian Badminton Federation and will be held under the auspices of the National Federation.

FOOD SUBLIMATION AS A FACTOR OF ECONOMIC DEVELOPMENT



Alexey Antipov,

Academician of
the International Academy
of Refrigeration, Doctor
of Science



Sublimation drying has been used for quite a long time: as a canning procedure it was developed in the USSR in the 20th century, but the beginning of that technology was laid in the beginning of that century by a Russian mining engineer, Georgy Lappa-Starzhenetsky.

In the USSR, there were four plants that used this technology: sublimated meat was produced in Orsha (BSSR), sublimated curd – in Slutsk (BSSR), sublimated vegetables were in the village of Detchino of the Maloyaroslavetsky District of the Kaluga Region (RSFSR) and at the Chisinau Cannery (MSSR) – sublimated fruit. Subsequently, all of these plants refused to sublimate products.

In 90^s the plant of sublimation drying was built in Volgograd, where the “Gala-Gala” company still produces a wide range of freeze-dried products. However it should be noted that the sale leaves much to be desired. Sublimation plants produced in Ukraine (Sumy) were used at the plants but at present the production technology of sublimation dryers has been lost.

Then in 2000 in Borovsk (Kaluga region) the workshop began working on the sublimation of fruits and berries.

During the same period, the Nestle plant began to operate in Leningrad region where coffee was freeze dried and in 2018 the workshop “Mogolino” for the drying of berries from China opened in Pskov region.

Small plants for the production of sublimation products are also operating: sweets made from freeze-dried berries are produced in Tyumen and in Solnechnogorsk, fruit chips are produced in Anapa.

And they use either second-hand equipment from pharmaceutical manufacturers or Chinese installations. Unfortunately, the listing of domestic achievements could be completed.

At the same time, the technology and technique of freeze-dries has become very wide spread in the world. Now there are more than 350 enterprises, produced freeze-dried food products, main-

ly champignons, greens, meat with side dishes, coffee and exotic fruits.

We should not ignore world experience in this matter and therefore it makes sense to consider sublimation equipment and technology as a mean to generate additional income that is not currently being extracted.

But first, let's understand what constitutes freeze-drying.

Freeze-drying is the process of removing moisture from products that are frozen (solid) without using the liquid phase. At the same time, volume color, aromatic and bioactive substances, trace elements are preserved. That's conservation is carried out through physical processes which excludes using of auxiliary material (sugar, salts, acids) used in other methods of conservation. Also in the production of freeze-dried products exposure to high temperatures that inactivate vitamins is excluded. But, for example, only the sublimation process is used in canning live vaccines and serums. It guarantees not only a speedy recovery of dry objects but also the preservation of viable cells and viruses.

The production of freeze-dried products consists of several phase-processes:

- freezing;
- freeze-dried frozen moisture (about 80–90%);
- drying of non-frozen moisture;
- vacuum packing.

Taking into account widespread introduction of sublimation technology in the world it should be considered from the point of view of the possibility of organizing a new business that could bring profit both inside our country and abroad.

In which areas is sublimation possible?

Food products for the army. For example, in the satchel of the American soldier are sublimated products for 40 days of autonomous power! It is a full and varied ration. We two better get a handle on that.

Dairy products. Given the increasing mobility of the population such dishes as sublimated cottage cheese, butter, sour cream, yogurt and other sublimated dairy products could be a significant support in fast food at home and in catering.



Drinks. Recently at one Ural enterprise I was asked, what sublimation is? This question was asked at the table where the tea party was. I saw about ten packets with coffee and asked: "What kind of coffee do you prefer?". It turned out, coffee was different but all of these are sublimated. That is, employees of the company, not knowing what the process of sublimation is, all one and one voted for this product. And this is understandable: sublimated coffee is definitely higher in quality than any instant coffee.

We should pay no less attention to tea. In other countries, tea is just tea. But in Russia it is a healing drink, moreover on a national scale. Moreover we could put honey in tea and coffee. Dehydrated honey is an own product that could compete with sugar and with just honey. Canadian and American dehydrated honey is actively sold in Europe. We have also developed a method for obtaining dry honey on vacuum-sublimation plants and now w negotiations are

underway to supply such a plant (produced by firm "Fresco") in Bashkiria. There is produced white honey for Europe and a contract of delivery to China has already been concluded. And if in our country dry honey is still an exotic product then in Europe it is already popular.

Meat products. Freeze dried meat and processed meat products are well known abroad. We have developed a new product – meat snacks. They are also obtained by a sublimation method. For their production we specially developed a new technique and technology: atmospheric freeze-drying. As early as the 9th century nomadic Buryat tribes used freeze dried meat; they were dried for 5–6 months. We offer the technique that allows carrying out this process for 5–6 hours. The most expensive part of this equipment is the vacuum freeze drier – is excluded in the technology developed by us.

Seeds. The most successful application of freeze-drying was a conservation

of vegetable seeds. When working together with VNISSOK we were sublimated seeds of cabbage and carrot. As a result we got an expected effect: with initial seed germination of 40% and mediocre quality indicators, we obtained 95 percent germination seeds, with a five-point growth force and the same seed quality indicators.

These results could be assessed through economic performance. The cost of 1 kl of cabbage seeds with a germination rate of 95% reaches 3000 rubles. And with 40 percent germination – 400 rubles. The seed treatment time in the sublimation chamber is two hours. Moreover, the processing in vacuum freeze-dryers and in dryers for sublimation at atmospheric pressure showed the same results.

Thus, if we sum up the above, it can be argued that any moisture product turns a business using freeze-dryers into an economically viable enterprise. Especially if you don't forget about the market outside of Russia.





May 15–18, 2019

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Dynamics of development (transformation) of the global banking system. The EU and the EAEU: the economic need for rapprochement and interaction. Ways to link the EAEU and the Silk Road: Development of cooperation between the EAEU and China and linking with the "One Belt, One Road" (OPOR) initiative, as one of the most important foreign economic landmarks of the Eurasian Union.

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INFANT FOOD INDUSTRY — DEVELOPMENT AND TASKS



Valentin Karamzin,
General Director
of "Agromash" Ltd., Doctor
of Engineering, Professor,
Honored Scientist
of the Russian Federation

Food is one of the main factors of human's health. Especially it refers to children. A sensible nutrition ensures healthy growth of children, promotes preventive treatment, higher mental and physical efficiency, provides for adequate adaptation to the environment.

Food can be considered healthy if it satisfies the children's needs not only in macronutrients (proteins, fats and carbohydrates) and energy, but also in micronutrients (vitamins and minerals) in accordance with physical needs.

Micronutrients refer to irreplaceable nutrient materials and are necessary for balanced biological processes in the organism: metabolism, growth, diseases management and protection from negative environment factors. A human organism doesn't synthesize and doesn't uptake the macronutrients so they must be supplied regularly with water and food in full set and physiologic amounts.

The role of vitamins and minerals in the childhood is essential due to rapid growth, formation, intense metabolism of a child's organism.

Foreign producers dominate on the Russian food market. The main reasons are long payback of investments for the modern technological production and the lack of promotion of domestic products. Some time ago the infant-feeding centers were replaced by shops of baby food mostly produced abroad. While Russian producers had to (and still have to) survive in a stiff competition.

According to Rosstat up to 80–90% of infant food products are produced in the factories owned by foreign companies and in case of sanctions this production can be almost fully stopped.

The Decree of the President of the Russian Federation #120 dd. 30.01.2010 adopted a Food Security Doctrine of the Russian Federation (Doctrine) which

underlines that food security of the Russian Federation "is one of the priorities of national security in the country in the medium-term perspective, a factor of its statehood and sovereignty, a key element of the demographic policy, a required condition to implement the strategic national priority – the improvement of the quality of life for the Russian people through the guarantee of high living standards".

With the aim to carry out the Doctrine in practice the Decree of the Government of the Russian Federation #1873-p dd.25.10.2010 worked out and adopted "Guidelines of the state policy of the Russian Federation of healthy food for the population for the period up to 2020". A considerable part of the document is dedicated to the production of infant food.

The main tasks of the state policy in the area of healthy food are:

- To promote the production of food products enriched by unreplaceable components, special products of infant food, functional purpose products, dietary (medical and preventive) food products and dietary food supplement, including corporate supplies (to workers, students etc.);
- To develop and introduce into the agriculture and food industry the innovative technologies including bio- and nanotechnologies;
- To improve catering services in the corporate sector, to provide adequate nutrition to pregnant and breastfeeding women and children under 3 years old for example through the special meal stations and shop, to upgrade dietary (medical and preventive) food in health centers as an integral part of treatment.

On June 29, 2016 the Resolution of the Government of the Russian Federation #1364-p adopted the "Strategy of the improvement of food products in the Russian Federation up to 2030" which will improve the quality and quantity of the produced infant food products.

Also worth mentioning is the Decree of the President of the Russian Federation #350 dd. 21.07.2016 "On realization measures of state scientific and technical policy for the benefit of agriculture development" which seriously promoted the processing sector of agriculture in general and the sector of infant food in particular.

Analysis of the supporting mechanisms for healthy food in Russia shows that the state is greatly interested in new producers which is proved by the annexes and amendments to the Decree of the Government of the Russian Federation #166 dd. 28.02.2012 "On the adoption of the Rules of provision and allocation of subsidies from the federal budget to the local budgets of the subjects of the Russian Federation to support the emerging farmers". Thus point 3 "Grants for establishment and development of peasant (farm) holdings..." contains a notion "agricultural processing". Tax benefits for the food industry start-ups are also improving in special economic zones.

In general one should mention that support mechanisms for the healthy food producers require further development and improvement.

However, regardless of difficulties the infant food market keeps growing following the rise in births in Russia in the recent years. Starting from 2012 we have seen the highest demographic indexes in the last 20 years. And according

to statistics 70% of the first-year babies need compound and bottle feeding, while 50% need medical formulas.

The analysis of Rosstat data of the infant food production as per one child clearly shows the demand for further promotion of the infant food industry (Table 1).

A simple analysis of the table shows that in most cases the amount of products as per one child per year remains very little. For example the amount of milk-based and flour-based powder milk is produced in the amount of 160 grams/year and 580 grams/year correspondingly; drinkable milk – in the amount of 4.09 liters/year; infant meat specialized cans – in the amount of 0.34 standards cans per year (a can is 330 grams).

The building of new high-tech enterprises and the use of new equipment

will allow to raise the quality and the number of produced products, to improve the situation for national agricultural providers and to reduce the dependence on the foreign ones.

It is also worth mentioning that foreign producers use not only materials from the territory of Russia but also imported concentrates even with GMO. It harms the national agricultural producers as producers of raw materials.

According to Rosstat the main production of infant food is located in the Central, North-West and South Federal Districts (Table 2).

As we can see the Volga District, the Siberian District and the Ural District are not involved at all although they have a good agricultural basis for infant food production and a huge export potential due to close borders with China and South-East Asia.

Table 1

Infant food production on the territory of the Russian Federation (according to Rosstat)

Products	Products as per one child per year
Infant meat (meat-containing) specialized products (0–4 years old), standard cans	0,34
Drinkable infant milk (0–14 years old), liters	4,09
including drinkable infant milk (0–4 years old)	9,4
Infant milk powder (0–4 years old), kg	1,22
Infant milk powder formula (0–4 years old), kg	0,54
Infant curd (0–4 years old), kg	4,28
Fermented infant dairy products including infants (0–14 years old), kg	2,72
Homogenized infant meat products, meat by-products or blood excluding sausage products (5–9 years old), standard cans	0,069
Homogenized nonfrozen canned infant vegetables without vinegar, (0–14 years old), standard cans	0,22
Homogenized infant mix of food products (0–14 years old), standard cans	1,02
Homogenized infant fruit and berry products (0–14 years old), standard cans	6,7
Milk-based infant liquid or paste-like food (0–14 years old), kg	0,38
Milk-based infant food powder(0–14 years old), kg	0,16
Flour-based infant food powder (0–14 years old), kg	0,58
Infant food – homogenized cans with meat, vegetables, fruit , (0–14 years old), standard cans	27,87
Infant juices (0–14 years old), standard cans	118,99

**Infant food production
in the regions of the Russian Federation (according to Rosstat)**

Regions	Annual average capacity Thousands of tons	Production Thousands of tons	Use of capacity %	Annual average capacity in 1990 Thousands of tons
Liquid and paste-like dairy products				
Russian Federation	232.6	101.9	43.8	59.6
Central Federal District	131.5	62.0	47.2	–
North-West Federal District	60.7	20.5	33.8	–
South Federal District	9.6	6.1	63.2	–
Volga Federal District	8.3	4.98	59.9	–
Ural Federal District	6.97	3.75	53.8	.
Siberian Federal District	15.5	4.55	29.4	–
Dry infant milk formula including fermented				
Russian Federation	26.1	16.48	63.2	21.6
Central Federal District	21.1	15.5	73.5	–
Volga Federal District	5.0	0.98	19.7	–
Dry cereal-based infant and diet food				
Russian Federation	24.6	13.0	56.7	26.3
Central Federal District	8.53	4.13	48.4	–
North-West Federal District	8.92	4.79	53.7	–
North-Caucasus Federal District	7.09	4.07	56.7	–

The Science and Research Institute together with “Agromash” Ltd., NPO JSC “Pribor” and the Science and Practice Center of the National Academy of Science of the Republic of Belarus have developed a concept of a scientific and technical program “The development of innovative technologies and equipment for infant food production”.

The concept of the program was approved at the meeting of the section of priority fundamental, applied scientific researches and innovations in agriculture of the Scientific and Technical Council of the Ministry of agriculture of the Russian Federation.

The concept aims at several tasks of the state policy of healthy infant food.

To create a wide range of infant food products it is necessary to develop and introduce new technologies and research methods which will also result in the development of science of food production.

The development and creation of new (including energy saving) technologies and new equipment for infant food production will allow to extend the range of products, to create special raw materials zones, to achieve the security of food, which meet the

up-to-date requirements, and to produce the products equal to the world analogues.

The use and spread of the typical technical and technological solutions with regards to import substitution tasks allow to extend the range and the volume of production of infant food for all age groups and also for pregnant and breast-feeding women in accordance with the modern conditions of food security.

There will be:

- More than two hundred new types of products and components of infant food and food for pregnant and breast-feeding women;
- New equipment complexes in accordance with all modern standards of the Common State and equal to the world analogues (19);
- Larger volume and range of infant food products and food for pregnant and breast-feeding women.

The spread of new equipment and technology will allow to:

- provide for 70–80% of the Russian and Belarus markets with the main types of infant food products pro-

duced on the territory of the Common State;

- provide for 80% of the market of specialized infant food products including dietary (medical and preventive) food;
- strengthen the Russian and Belarus markets due to larger amount and range of infant food and food for pregnant and breast-feeding women, produced on the territory of the Common State;
- reduce deceases among children and teenagers related to nutrition (anemia, lack of food, obesity, diseases of the digestive system);
- raise vitamin provision to children, pregnant and breast-feeding women;
- improve the health of the population.

In conclusion it is worth mentioning that Science and Research Institute together with “Agromash” Ltd. have developed a typical complex for infant food production with the capacity of 6000 cans/hour (90000 cans/day).

The complex contains the equipment for the production of infant food and baby puree packed in twist-off cans (110 grams), and for the production of puree in aseptic cans (200 kg) packed in Bag-in-Box.