

THE WORLD BANK

COMMONWEALTH OF INDEPENDENT STATES  
PAYMENTS AND SECURITIES SETTLEMENT INITIATIVE



**PAYMENTS AND SECURITIES CLEARANCE AND  
SETTLEMENT SYSTEMS IN  
THE REPUBLIC OF BELARUS**

**JANUARY 2007**

## FOREWORD

Following the successful experience of the Western Hemisphere Payments and Securities Clearance and Settlement Initiative (WHI) in the Latin American and Caribbean region, in September 2004, the World Bank launched the Commonwealth of Independent States Payments and Securities Settlement Initiative (CISPI). The CISPI aims to assess and strengthen payments and securities systems in the Commonwealth of Independent States with a view to improving their safety, efficiency and integrity. The long term goal of the initiative is to build institutional capacity within the region in order to sustain the continued development of payment and securities settlement systems.

A key component of the CISPI is the International Advisory Council (IAC), which is comprised of representatives of international and national institutions with experience in the field of payments and securities systems. In addition to representatives from the World Bank, this council includes members from the Secretariat of the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements (BIS), Banque de France, European Central Bank (ECB), International Monetary Fund (IMF), Swiss National Bank (SNB), and the U.S. Securities and Exchange Commission (SEC). Other central banks, securities commissions and international organizations are expected to join the IAC over the course of the program.

To assure quality and effectiveness, the CISPI includes two important elements. First, all studies are conducted with the active participation of country officials and the project builds on the existing work being undertaken in the respective countries. Second, the initiative draws on international and national expertise on the subject, through the IAC, to provide guidance, advice and alternatives to current practices.

The initiative is undertaking a number of activities. These include: the preparation of public reports containing a systematic in-depth description of each country's payments, clearance and settlement systems; the delivery of recommendations reports to country authorities on a confidential basis; the organization of IAC meetings to review country studies and provide input for future work; the organization of workshops focusing on issues of particular interest; the creation of a web-page ([www.cis-pi.org](http://www.cis-pi.org)) to present the outputs of the Initiative and other information of interest in the payments systems area; and the promotion of working groups to ensure a continuation of the project activity.

The Kazakhstan Interbank Settlement Center (KISC) of the National Bank of Kazakhstan is currently acting as Technical Secretariat of the CISPI and is playing a major role in making the process sustainable. To this end, the initiative has helped strengthen KISC's in-house expertise. Additionally, practitioners in payments and securities clearance and settlement in some countries in the region have participated in the studies under the initiative through KISC coordination, and this has contributed to the broadening of knowledge and the transfer of know-how within the region. The endeavors of the working groups in coordination with the KISC will maintain the infrastructure created under the initiative and provide a permanent forum for the countries in the region to discuss, coordinate, and add a collective impetus to the work in the area of payments and securities clearance and settlement systems.

This report, *Payments and Securities Clearance and Settlement Systems in the Republic of Belarus*, is one of the public reports in the CISPI series and was prepared with the active support of the National Bank of the Republic of Belarus.

## **ACKNOWLEDGEMENTS**

This document is the result of the work developed by an international team, in coordination with a local team. The international team visited the Republic of Belarus in April 2006. The international team was comprised by Mr. Jose Antonio Garcia (World Bank, mission leader), Mr. Sait Abdulkarimov and Mr. Alexander Shishlov (Kazakhstan Interbank Settlement Center of the National Bank of Kazakhstan), Mr. Philipp Haene (Swiss National Bank), and Ms. Tatiana Segal (World Bank). The local team comprised officials from the National Bank of the Republic of Belarus (NBRB) and was lead by Mr. Petr Mamanovich, Head of Monetary Operations Department. The team wishes to express its gratitude to Mr. Alexander Shishlov (KISC, as Secretariat for the CISPI) for his contributions to the first draft of this report.

## **ABBREVIATIONS AND ACRONYMS**

AML	Anti-money Laundering
ATM	Automated Teller Machine
BASMP	Belarusian Association of Securities Market Participants
BCP	Business Continuity Plan
BEQAS	Belarusian Quotation Automated System
BIS	Bank for International Settlements
BISS	Belarus Interbank Settlement System
BSCE	The Belarusian Securities and Currency Exchange
BUR	Belarusian Ruble
CIS	Commonwealth of Independent States
CISPI	Commonwealth of Independent States Payments and Securities Settlement Initiative
CIS	Commonwealth of Independent States
CJSC	Closed Joint Stock Company
CPSIPS	Core Principles for Systemically Important Payment Systems
CPSS	Committee on Payment and Settlement Systems
CS	The Clearing System
CSD	Central Securities Depository
CTF	Combat to Terrorism Financing
DVP	Delivery versus Payment
EAEC	Eurasian Economic Commonwealth
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EFTPOS	Electronic Funds Transfer at the Point of Sale
FIFO	First-In-First-Out

GDO	Government long-term bonds
GDP	Gross Domestic Product
GKO	Government short-term bonds
IAC	International Advisory Council
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISIN	International Securities Industry Numbering
JSC	Joint Stock Company
MOF	Ministry of Finance
NBRB	National Bank of the Republic of Belarus
NPS	National Payment System
OJSC	Open Joint Stock Company
OTC	Over-the-counter
POS	Point of Sale
PVP	Payment versus Payment
RTGS	Real time gross settlement
SDT	State Departments of the Treasury
SML	Securities markets law
SRO	Self-regulatory organization
STP	Straight-through processing
SWIFT	Society for Worldwide Interbank Financial Telecommunication
WB	World Bank
WHI	Western Hemisphere Payments and Securities Clearance and Settlement Initiative

# PAYMENTS AND SECURITIES CLEARANCE AND SETTLEMENT SYSTEMS IN THE REPUBLIC OF BELARUS

<b>1</b>	<b>ECONOMIC AND FINANCIAL MARKET OVERVIEW .....</b>	<b>1</b>
1.1	Overview of Recent Reforms .....	1
1.2	Macroeconomic Background.....	1
1.3	Financial sector.....	3
1.3.1	Recent Performance of the Banking Sector .....	4
1.4	Capital Markets .....	5
1.5	Major Trends in Payment Systems .....	5
1.6	Major Trends in Securities Clearance and Settlement Systems .....	6
<b>2</b>	<b>INSTITUTIONAL ASPECTS .....</b>	<b>8</b>
2.1	General Legal Framework.....	8
2.1.1	Payments .....	8
2.1.2	Securities.....	10
2.1.3	Derivatives.....	11
2.2	Role of Financial Institutions: Payments .....	11
2.2.1	Banking Sector .....	11
2.2.2	Other Institutions Providing Payment Services .....	12
2.3	Role of Financial Institutions: Securities .....	12
2.3.1	Securities Market Participants .....	12
2.3.2	Exchanges.....	13
2.4	Market Structure and Regulation .....	13
2.5	Role of the Central Bank.....	13
2.5.1	Monetary Policy and other Functions .....	13
2.5.2	Involvement in the Payment System .....	14
2.5.3	Payment System Oversight.....	14
2.5.4	Banking Supervision.....	15
2.6	Role of the Securities Regulator .....	15
2.7	The Role of other Private and Public Sector Entities .....	16
2.7.1	Bankers' Association .....	16
2.7.2	Association of Securities Market Participants.....	16
<b>3</b>	<b>PAYMENT MEDIA USED BY NON-FINANCIAL ENTITIES .....</b>	<b>17</b>
3.1	Cash .....	17
3.2	Payment Means and Instruments other than Cash .....	17
3.2.1	Direct Credits and Direct Debits .....	17
3.2.2	Payment Cards.....	18
3.2.3	Postal Instruments.....	19
3.3	Non-Cash Government Payments .....	19
<b>4</b>	<b>PAYMENTS: INTERBANK SETTLEMENT SYSTEMS.....</b>	<b>20</b>
4.1	Low-Value Payment Systems .....	20
4.1.1	Payment Cards.....	20
4.1.2	The Clearing System (CS).....	20

4.2	Large-Value Payment Systems.....	21
4.2.1	Management of Credit and Liquidity Risks.....	23
4.2.2	Management of Operational Risk.....	23
4.2.3	Pricing.....	24
4.3	Foreign Exchange Settlement Systems.....	25
4.4	Cross-Border Payment Settlement Systems.....	26
4.5	Projects at the Stage of Development and Implementation.....	26
<b>5</b>	<b>SECURITIES, MARKET STRUCTURE AND TRADING.....</b>	<b>27</b>
5.1	Forms of Securities.....	27
5.2	Types of Securities.....	27
5.3	Securities Identification Code.....	28
5.4	Transfer of Ownership.....	28
5.5	Pledge of Securities as Collateral.....	29
5.6	Treatment of Lost, Stolen, and Destroyed Securities.....	29
5.7	Legal Matters Concerning Custody.....	30
	<i>MARKET STRUCTURE AND TRADING SYSTEMS</i>	
5.8	Public Offering of Securities.....	30
5.9	Primary Market.....	31
5.9.1	Government Securities.....	31
5.9.2	Corporate Securities.....	31
5.10	Secondary Market.....	33
5.11	Stock Exchange Trading.....	33
5.12	Over the counter market (OTC).....	34
5.13	Recent Trends in the Market.....	34
<b>6</b>	<b>SECURITIES CLEARANCE AND SETTLEMENT SYSTEMS.....</b>	<b>35</b>
6.1	Organizations and Institutions.....	35
6.1.1	Belarusian Securities and Currency Exchange (BSCE).....	35
6.1.2	Securities Depositories.....	35
6.2	Securities Clearance and Settlement Process.....	36
6.2.1	Management of Settlement Risks.....	36
6.2.2	Management of Operational Risks.....	37
6.2.3	Pricing.....	37
6.3	Guarantee Schemes.....	38
6.4	Securities Lending.....	38
6.5	International Links among Clearance and Settlement Institutions.....	38
<b>7</b>	<b>THE ROLE OF THE CENTRAL BANK IN CLEARANCE AND SETTLEMENT SYSTEMS</b>	<b>39</b>
	.....	
7.1	Settlement.....	39
7.2	Payments System Oversight.....	39
7.3	Monetary Policy and Payment Systems.....	40
7.4	The Role of the Central Bank in Cross-Border Payments.....	40
7.5	Pricing Policy.....	40
<b>8</b>	<b>SUPERVISION OF SECURITIES CLEARANCE AND SETTLEMENT SYSTEMS.....</b>	<b>41</b>
8.1	Securities Regulator Supervisory and Statutory Responsibilities.....	41

**APPENDIX: STATISTICAL TABLES .....43**

**Tables in the Text**

Table 1: Actual versus Forecasted Performance of Key Macroeconomic Variables .....	2
Table 2: Bank Notes and Coins .....	17
Table 3: Processing Sessions and Settlement Windows in the Clearing System.....	20
Table 4: Coefficients applicable to the basic tariff in the CS.....	21
Table 5: Coefficients applicable to the basic tariff in the BISS.....	24
Table 6: Registration of Newly Created Joint Stock Companies (2004-2005).....	32
Table 7: Newly Created Open Joint Stock Companies by Oblast.....	32
Table 8: Features of Professional Market Participants' transactions (2004 – 2005).....	33
Table 9: Securities Depository Activity (2003-2005) .....	35

**Figures in the Text**

Figure 1: Combined Volume of Transactions in the BISS and the CS.....	18
Figure 2: Number of Registered Joint Stock Companies.....	31

# **1 ECONOMIC AND FINANCIAL MARKET OVERVIEW**

## **1.1 OVERVIEW OF RECENT REFORMS**

From 1996 to 2000, economic development of Belarus was based on a government economic strategy and policy program called “Major Objectives in Economic and Social Development of the Republic of Belarus in 1996 – 2000”. The main aim of this program was to help the country overcome the profound economic crisis that occurred after the breakup of the Soviet Union.

Economic policy since 2000 has been determined to a significant extent by a new high-level strategy and program known as the “Comprehensive Program of Social and Economic Development of the Republic of Belarus in 2001-2005”. The following principal trends have been identified as resulting from the implementation of the 2001-2005 Program, and have marked the recent development of economic, social and monetary sectors in Belarus:

- High and dynamic pace of output and sales growth in most sectors of the economy;
- Improvements in the standard of living and poverty reduction based on economic growth, increase in real income of the population, and better employment opportunities;
- Improvements in the financial position of enterprises in the real sector of economy;
- Stabilization of the public finances and low rate of consolidated budget deficit and debt;
- Slowdown of inflation and devaluation processes;
- De-dollarization of the economy;
- Growth in gold and foreign currency reserves of the country;
- Reduction of the nominal interest rates at the financial markets and maintenance of their real value at the positive level;
- Development and reinforcement of the banking sector and enhancement of its role in the social and economic development of the country.

The analysis of the economic performance in Belarus in the past five years reveals that most key parameters envisaged by the Program were attained and surpassed.

## **1.2 MACROECONOMIC BACKGROUND**

The macroeconomic environment in which the economy and the banking system have operated since Belarus gained its independence in 1991 has varied considerably. Three main periods can be identified: 1991 to 1995, characterized by a severe economic crisis; 1996 to 2000, in which economic growth resumed; and 2001 to 2005, which has been characterized by greater economic and financial stability.

From 1991–1995, all sectors of the national economy were affected by the profound economic crisis, triggered by the collapse of the Soviet Union. At first, this event triggered the end of traditional economic processes, the sharp drop in the economic capacity of enterprises and of the population of the republics of the former Soviet Union that were key consumers of Belarus products, cessation of financing from the Soviet Union’s military sector which accounted for a considerable share of Belarus’ industry, shocks of price liberalization, and, above all, outpacing growth in prices for raw materials and energy resources. Moreover, Belarus, like the rest of the former Soviet Union republics, was characterized by a general lack of preparedness of the country’s institution and society for the market system of relations.

The sharp growth in prices for raw materials and energy resources revealed the technological weakness of the economy with its resource-intensive and low-quality output. At the same time, the weak competitiveness of the local products, legal inter-government restrictions, and absence of marketing and financial management skills prevented the country’s economic

entities from making up for the drop in effective demand at the traditional markets through the conquer of new export markets.

These and some other processes resulted in a considerable decline in production, the collapse of the investment base, serious worsening of financial condition of enterprises, and drop in real income of the population: as compared to 1990, the gross domestic product (GDP) had fallen by 34.7 percent in 1995, and real wages had halved; capital investments and profitability of enterprises had also declined considerably.

The period from 1996 to 2000 was characterized by a better than expected performance of several of key economic variables. The forecasts mentioned in the document “Major Objectives in Economic and Social Development of the Republic of Belarus in 1996 – 2000” and the actual performance indicators are summarized in Table 1. Growth in consumer goods output amounted to 181 percent, and retail turnover to 233 percent. Growth in exports exceeded 160 percent, whereas growth in imports amounted to about 152 percent.

**Table 1: Actual versus Forecasted Performance of Key Macroeconomic Variables (1996-2000)\***  
(accumulated growth rates except for monthly inflation)

<i>Variable</i>	<i>Actual</i>	<i>Forecasted</i>
GDP	35.5	18-26
Industrial output	65.0	22-30
Real wages	71.5	12-19
Housing construction	81.4	18-20
Agricultural output	97.0	110-119
Capital investments	126	134-146
Monthly inflation	6.3	0.5-1.5

*Source:* Self-preparation with data facilitated by the NBRB.

By 2000, the country’s industrial output had already surpassed the level of 1990 by 0.9 percent, output of consumer goods by 8.4 percent, and real income of the population by 6 percent. In contrast, agricultural output in 2000 amounted to only 71.1 percent of the 1990 level, and just 44 percent in the case of capital investments.

The period between 1996 and 2000 was also characterized by significant financial distress, in particular in 1998 and 1999 as a result of the financial and economic crisis in Russia. This resulted primarily in a sharp increase in prices and the devaluation of the national currency, a decline in trade with Russia and other CIS countries, growth in inter-enterprise arrears, and overall deterioration of the country’s balance of payments. Extreme tension within the foreign exchange market was the key factor that destabilized the economy in 1998 and 1999. In 1999, consumer prices grew by 294 percent.

Between 2001 and 2005, the national economy demonstrated steady and dynamic growth. The GDP grew at an average rate of 7.4 percent, peaking in 2005 at 9.2 percent. This growth was mainly a result of the performance of the industrial sector, which grew on average more than 8.7 percent per year, with a high of 10.4 percent in 2005.

Between 2001 and 2005, gross agricultural output grew by 125.6 percent, and the gross output of the processing industry also grew by 130 percent. Belarus now ranks first among the CIS

\* The following conventions for notation are used in all Tables throughout this Report: “n.a.” indicates data that are not available; “...” stands for data that are not applicable; “neg” indicates where data are very small relative to other relevant data in the table concerned.

countries in terms of agricultural output growth per capita. The performance of the country's agricultural sector has ensured food security and self-sufficiency.

Moreover, since 2002 investment has been growing at a high pace, especially in industry, housing, transport, and agriculture. Between 2001 and 2005, the annual average growth in capital investment amounted to 13 percent, and reached 23.2 percent in 2005. Construction of residential housing is the government's priority in the construction sector. In the five year period between 2000 and 2005, 16 million square meters were commissioned in the residential housing sector.

Since 2001 the level of foreign trade has grown by more than two times. For the first time in recent years a positive trade balance exceeding US\$ 330 million was attained in 2005.

Steady economic growth, compounded with government social policy, facilitated growth in the real income of the population by 180 percent and resulted in a four-fold reduction in the poverty level. According to the national definition, the poverty headcount ratio fell from 41.9 percent of the population in 2000 to 12.4 percent in the third quarter of 2005, and to nearly 10 percent at the end of 2006.<sup>1</sup>

As a result of these events, Belarus was one of the first countries in the CIS to attain and to outperform the pre-crisis level of 1990. In comparison to the level in 1991, the GDP in Belarus was 1.28 times higher in 2005, compared to only a 0.95 times increase in Russia, 0.68 times in Ukraine, and 1.27 times in Kazakhstan.

### **1.3 FINANCIAL SECTOR**

As of January 1, 2006, there were a total of 30 commercial banks actively operating in Belarus, and 440 bank branches in the country.

Six organizations play a leading role in the country's banking system. The "Savings Bank Belarusbank", "Belagroprombank", "Belpromstroibank", "Belinvestbank", "Priorbank", and "Belvnesheconombank" jointly constitute about 89 percent of total assets, and the total capital of the nation's banking system.

In 2005, the trend towards attracting foreign capital into the banking system of the Republic of Belarus persisted. As of January 1, 2006, 26 out of 30 banks in operation had some form of foreign capital participation. Nine were wholly foreign-owned banks.

Currently there are 12 representative offices of Russian, Lithuanian, German, Polish and Kazakh banks in the country. Total investment of non-residents of the Republic of Belarus in the authorized capital of Belarusian banks in 2005 amounted to US\$ 1.3 billion and EUR 1.58 billion. As of January 2006, this amount represented 9.3 percent of total system capital. Out of the total, Russian capital accounted for 2.9 percent.

For the purpose of improving the protection of deposits and avoiding dangers to depositors' interests, the NBRB has been working on raising the requirements on capital transparency of the banks. In summary, a license to attract funds from individuals will not be granted or confirmed to those banks whose capital has been raised by using funds from offshore centers, as well as from non-resident parent companies or investors who have not been given a reliable rating by the internationally recognized credit rating agencies.

An overhaul of banks' compliance with other major standards is underway. This has led to improvements to the banks' system of early warning of problematic situations, as well as to

---

<sup>1</sup> According to the European Bank for Reconstruction and Development (EBRD), poverty in Belarus currently amounts to about 1 percent of the population (less than 2 percent in 2000).

their risk management procedures. Also, prudential reporting procedures have been streamlined in order to substantially reduce the number of reports. Moreover, in 2005 banking supervision procedures were upgraded with a view to bringing them closer to international standards. In particular, new approaches to capital adequacy calculation and estimation of credit risk concentration began to be implemented.

A step-by-step transition of the Belarusian banking system to the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) continued through the development and introduction of the National Accounting Standards. According to the State Program of Transition to the IAS/IFRS in the Republic of Belarus, approved by Resolution of the Council of Ministers of the Republic of Belarus No. 694 dated May 4, 1998,<sup>2</sup> transition is to be completed prior to January 1, 2008. It is expected that these efforts will make it possible to enhance investment attractiveness and competitiveness of the Belarusian banks and facilitate their access to the international capital markets.

In 2005, the Republic of Belarus and the Russian Federation continued to work on setting uniform approaches to banking transactions, accounting and financial reporting in their respective banking systems in line with the International Accounting Standards. Such harmonization is carried out by gradual introduction of the IAS/IFRS into the banking practice of both countries.

### **1.3.1 Recent Performance of the Banking Sector**

In 2005, funding to banks grew by almost 41 percent. The main contributors to the banks' resource growth were individuals and legal entities, which represented 50.9 percent of the total increase. The largest increase occurred in individuals' deposits, which increased by BUR1.3 trillion, or 56.5 percent.<sup>3</sup> Almost one third of this increase came from newly attracted long-term deposits.<sup>4</sup> The deposits of legal entities grew by 39.9 percent, BUR-denominated deposits by more than 70 percent.

The expansion of funding enabled commercial banks to provide increasing financial support to the economy. During 2005, total funds lent by commercial banks to residents of the Republic of Belarus rose by 41.1 percent, while their share in total banks' assets grew by 0.2 percent.

The assets of the banking sector increased in 2005 by 33.3 percent. The increase in BUR-denominated assets was 47.7, and foreign currency-denominated assets grew by 15.8 percent.

The growth rate of bank lending was substantially higher than that of the GDP. 2005 saw the beginning of vigorous development in consumer and housing lending. In addition, express lending to households for the purchase of durable goods, instrumented via retailers, has shown considerable growth. Banks have also been endeavoring to reach inhabited areas with no banking facilities.

Significant growth in longer-term lending has also been observed. Long-term loans in Belarusian rubles and in foreign currency amounted to BUR 4 trillion,<sup>5</sup> 44.6 percent growth over 2004. The share of long-term loans as a part of total loans rose by 3.5 percentage points, reaching 51.4 percent on January 1, 2006.

In the area of capitalization, during 2005 total bank capital grew by 39 percent and authorized capital increased by 36.1 percent. The sources of this growth were fresh capital injections from

---

<sup>2</sup> Corpus of decrees and edicts of the President and resolutions of the Government of the Republic of Belarus No. 13, 1998, p. 341.

<sup>3</sup> All throughout this report the symbol "BUR" is used to represent the national currency of Belarus, the Belarusian Ruble.

<sup>4</sup> In contrast, newly attracted long-term deposits in 2004 represented less than 7 percent of the total increase during that year.

<sup>5</sup> Gross loans, i.e. before considering loan-loss provisions.

government agencies (88.1 percent), undistributed profits (1.7 percent), and other sources (10.2 percent).<sup>6</sup>

## 1.4 CAPITAL MARKETS

The Belarusian Securities and Currency Exchange (BSCE) is the only organized exchange in the country. The first foreign currency trade was held in 1993 when the BSCE was called the Interbank Stock Exchange, and the first government securities trades were held in 1998 when it became the BSCE. At present, the BSCE participates as a trade organizer in all major securities markets, including equity and public and private debt instruments, and maintains its role in the foreign exchange market.

In 2005, the main types of securities and the corresponding amounts issued in the primary market of the Republic of Belarus were as follows:<sup>7</sup>

- corporate securities, including equities and debt securities: BUR 2.3 trillion issued.
- government securities, including short-term government notes (GKO) and long-term government bonds (GDO): BUR 908 billion issued.
- short-term bonds of the NBRB: BUR 1,139.2 billion issued.
- promissory notes of legal entities (excluding from banks): BUR 68.4 billion.

During that same year, the overall volume of purchase and sales of securities at the BSCE amounted to BUR 9.4 trillion, while the turnover of the OTC market was BUR 27.3 billion.

The Securities Committee under the Council of Ministers of the Republic of Belarus (hereinafter the “Securities Committee”) is the regulator of the securities market. The Securities Committee sets the rules for issuance and registration of shares and bonds, except for government and NBRB securities which are governed by special decrees.

The Securities Committee is currently developing a conceptual framework for the securities market, with a primary goal of defining and establishing the necessary conditions for creating an integral, liquid, transparent, and efficient securities market, regulated by the state and integrated into the international securities market.

A regulatory framework has been put in place to create conditions for the effective functioning and development of the securities market and is constantly improved. The stock exchange infrastructure is also gradually expanding in the country. Moreover, unified qualification and financial requirements for professional market participants, procedures for making transactions with securities, and standards of information disclosure by market participants provide for a high level of information transparency of the stock market.

## 1.5 MAJOR TRENDS IN PAYMENT SYSTEMS

The payments system in the Republic of Belarus is characterized by the use of credit transfers for large value payments, and mainly cash and some credit transfers for retail transactions. To date, debit instruments such as cheques and direct debits are not widely used. The Belarusian Ruble (*BUR*) is the sole legal tender in the country.

The two major payment systems in the country are the Belarus Interbank Settlement System (BISS) for large value and/or urgent payments, and the Clearing System (CS) for low-value payments. Both systems are owned and operated by the NBRB, who is also a direct participant

---

<sup>6</sup> Other sources include investments from residents and non-residents, unrealized exchange rate gains and losses, fixed assets revaluation, and issue adjustments.

<sup>7</sup> All figures expressed according to face value, except for equities.

of both systems. As of January 1, 2006, there were 35 participants in the BISS and 34 in the CS. In 2005, a total of 43 million payments were made in these two systems for an amount of BUR 325,532.60 million. The BISS system receives electronic payment documents and separates the flow into high-priority and non-priority electronic payments. High-priority electronic payments documents are processed in a real-time regime. After the funds are written-off from a correspondent account of a sender bank and credited to a correspondent account of the beneficiary, the interbank settlement is considered final and irrevocable.

The participants have access to several sources of funds to manage their intraday liquidity. These include their reserve holdings with the NBRB, overnight credit facilities, and Lombard credit. The BISS rules allow the participants to use their reserve requirements within the operating day subject to certain limits set by the NBRB. Since March 1, 2005 banks are required to reserve 5 percent of individual deposits, 9 percent of corporate deposits in national currency, and 9 percent of deposits denominated in foreign currency.

The CS is used for other low-value payments, which are processed on a deferred net basis. There are five clearing sessions, the last one being held at the end of the day for queued payments. Claims and incoming payments are accumulated during a clearing session. The registry of incoming payments is formed from paper documents provided in accordance with the legislation of the Republic of Belarus. To enter clearing, the relevant registry of incoming payments has to be certified by an electronic digital signature from the sending bank. For each clearing session, net debit positions are written-off on the basis of the funds reserved on correspondent accounts by banks. Before the end of any given clearing session, a sender has a right to revoke a registry of incoming payments or a single payment from a registry. After the clearing takes place, results on correspondent accounts of banks are reflected in the BISS system. At this moment, the interbank settlement is considered final.

In the area of cashless payment instruments, the number of payment cards is growing heavily. As of January 1, 2006 there were 3.2 million payment cards of combined local and international settlements systems, and approximately 1,256 automated teller machines (ATMs). As of that date more than 4,500 merchants in the Republic of Belarus were accepting payment cards as a form of payment for goods and services. Payment cards are issued by banks licensed by the NBRB in accordance with the legislation of the Republic of Belarus.

For cross-border payments, the NBRB and most banks are connected to SWIFT and payments are made through foreign correspondent banks. In 2005, there were 30 banks connected to SWIFT, of which 9 were SWIFT members.

## **1.6 MAJOR TRENDS IN SECURITIES CLEARANCE AND SETTLEMENT SYSTEMS**

The government of the Republic of Belarus promotes the creation and development of an efficient and stable payment system to service securities operations, as well as access of national and foreign investors to the securities market.

By law, securities in the Republic of Belarus can be issued in both dematerialized and physical form. Government securities include short-term issuances with less than 1 year maturity, and long-term securities with more than 1 year maturity. The placement of government securities is mostly performed via auction sales. Occasionally, the MOF directly sells its securities to legal entities or transfers/sells these to banks for their further re-sale. The placement of these securities among individuals is performed in accordance with the order developed by the MOF and the Securities Committee.

There is a two-tier depository system in the Republic of Belarus which comprises central depositories and some professional securities market participants who are licensed to act as second-tier depositories (nominee holders) and to establish correspondent relations with central depositories.

All government and NBRB securities are kept in book-entry form in accounts (known locally as “DEPO accounts”) with depositories licensed by the NBRB.<sup>8</sup> The NBRB acts as a central depository for government and NBRB securities.

The Republican CSD is a state-owned entity that reports to the Securities Committee. The Republican CSD acts as a custodian and central depository for corporate securities. In accordance with the legislation of the Republic of Belarus, all corporate securities registered by the Securities Committee and included into the State Registry of Securities of the Republic of Belarus have to be deposited with the Republican CSD.

All transactions (i.e. with government securities, NBRB notes, shares and corporate bonds) are settled on a same-day basis (“T”). However, participants can agree, at the moment a deal is closed, on settling a transaction at a later date. After each trading session is over, information from the trading system flows to the securities settlement system operated by the BSCE, and from there to one of the central securities depositories for the settlement of the securities leg and to the BISS for the settlement of the cash leg.

As a rule, all transactions are settled within 30-50 minutes after the start of the trading session, though 2 hours are envisaged in the protocol. Trades are settled following the BIS Delivery Versus Payment (DvP) model 3.<sup>9</sup> Settlement risks are managed by means of pre-funding of both securities and cash.

The “Conceptual Framework of Creating a Clearing and Settlement System for Securities in the Republic of Belarus”, prepared by the Securities Committee, aims to create an efficient and transparent clearing and settlement system for transactions of all securities types. Efforts are ongoing to encourage electronic trading in the Belarusian stock market so that all transactions in the stock and OTC market are made through a system of remote trading terminals, accessible to all professional participants of the national stock market. An action plan has been drawn up to attract investment up to 2010.

---

<sup>8</sup> Further agreement of the MOF is necessary to grant a license.

<sup>9</sup> “Delivery versus Payment in Securities Settlement Systems”, Committee on Payment and Settlement Systems of the Central Banks of the Group of Ten Countries of the Bank for International Settlements, September 1992.

## 2 INSTITUTIONAL ASPECTS

### 2.1 GENERAL LEGAL FRAMEWORK

#### 2.1.1 Payments

The legal framework related to payments, payment instruments and payment systems in Belarus is comprised of laws, presidential decrees, and regulatory documents issued by the NBRB under the Banking Code. Article 25 of the Banking Code of the Republic of Belarus #441-3, enacted in October 25, 2000, provides that one of the main functions of the NBRB is to ensure efficient, reliable and safe functioning of the interbank settlement system, and prescribes procedures for cash and non-cash settlements in the Republic of Belarus. According to Article 30, the NBRB is to identify the major directions for payment system development, establishes rules, forms, terms, and standards for non-cash and cash settlements in the Republic of Belarus, and the applicable liabilities for violating them. The NBRB is the sole issuer of Belarus currency, serves as a Central Depository of government and NBRB securities, and acts as a consultant, creditor, and financial agent for the Government of the Republic.

Existing Belarusian laws stipulate that only duly authorized banks may participate in the areas of maintaining deposit accounts and non-cash fund transfers, and only banking institutions and non-banking financial companies with valid NBRB licenses are entitled to offer these payment services. So far, no private sector non-bank entities are involved in the payment services market for large-value payments or in the processing of interbank settlements.

The role and place of commercial banks in servicing non-cash payments was set forth in the Banking Code (Chapter 22), which states that settlements between banks are executed via correspondent accounts, while banks' relations with customers are regulated by bilateral agreements. Customers freely select banks for cash and settlement services. Article 203 determines the maximum time (one banking day) within which banks shall execute current (settlement) bank account operations on behalf of their clients, and a bank's financial liability for delays in executing payment orders.

The main requirement for participation in the NBRB-operated interbank payments system is to initiate correspondent account relationships with the NBRB. These relationships are governed by bilateral correspondent agreements which define the tasks and functions and rights and duties of both parties for the arrangement and execution of interbank settlements through these interbank payment systems.

The Law of the Republic of Belarus *On the Electronic Document* #357-3, dated January 10, 2000, governs the basic requirements for electronic documents and their security, as well as the rights, duties, and liabilities of participants in legal relationships in the field of electronic document circulation.

The regulatory documents issued by the NBRB under the Banking Code related to the processing and settlement of payments through the automated interbank system of the National Bank of the Republic of Belarus (AIBSS) include:

- the Instruction on Effecting Interbank Settlements through the Automated System of Interbank Settlements of the National Bank of the Republic of Belarus, approved by Resolution of the Board of the NBRB #37, dated March 10, 2005, (hereinafter referred to as the Instruction on Effecting Interbank Settlements through the AIBSS);
- Chapter 3 of the Rules on Effecting Interbank Settlements, approved by Resolution of the Board of the NBRB #24.3, dated September 28, 2000, (hereinafter referred to as the Rules on Effecting Interbank Settlements);

- Item 17 of the Instruction on Organizing the Work of the AIBSS of the Republic of Belarus, approved by Resolution of the Board of Directors of the NBRB #29.6, dated December 22, 2000, (hereinafter referred to as the Instruction on Organizing the Work of the AIBSS of the Republic of Belarus);
- the Instruction on Accounting for and Paying the Settlement Documents Which Have Not Been Paid through the Fault of Banks and Non-bank Credit-and-financial Organizations, approved by Resolution of the NBRB #111, dated July 28, 2005;
- the Instruction on the Procedure for Non-resident Banks' Access and Connection to the BISS System of the NBRB, approved by Resolution of the Board of the NBRB #17,6 dated November 23, 2004;
- the Instruction on the Procedure for Calculating and Collecting Payment for Settlement Services of the National Bank of the Republic of Belarus, approved by Resolution of the Board of Directors of the NBRB #47, dated February 23, 2005;
- the Instruction on the Procedure for Keeping a Registry of Bank Identification Codes of Participants in Settlements on the Territory of the Republic of Belarus, approved by Resolution of the Board of the NBRB #90, dated June 30, 2005.

Non-cash settlements in the form of bank transfer are regulated by the *Instruction on Bank Transfers* approved by Resolution of the Board of the NBRB #66 dated March 29, 2001. Non-cash settlements in the form of letters of credit and collection, as well as bank guarantee operations, are regulated by the *Instruction on the Procedure for Effecting Bank Documentary Operations* approved by Resolution of the Board of the NBRB #67 dated March 29, 2001.

The regulatory framework for large-value payments is comprehensive and comprehensible for market participants. Detailed technical, operational, and organizational procedures and rules are in place. The *Instruction on Effecting Interbank Settlements through the AIBSS* governs the rules and procedures as regards financial and operational risks and their management, information on the system design, system timetable and technical procedures. It contains provisions regarding the concepts of acceptance, irrevocability and settlement finality of payments processed by the system.

There is no explicit mention of the so-called zero-hour rules in the banking legislation. The reorganization and liquidation of banks is regulated by the Banking Code.

Once the correspondent account of the sending bank is debited and the correspondent account of the recipient bank is credited with the amount of a payment, the interbank settlement is final. This is stated in the *Instruction on Effecting Interbank Settlements through the AIBSS*. There is doubt, however, at what time of the day the finality is achieved. As currently stated, it seems to be achieved at the end of the operating day (when the information on debit/credit turnovers on banks' correspondent accounts is reflected on the National Bank's balance sheet).

The relevant legislation dealing with collateralized loans includes the Civil Code of the Republic of Belarus, the Law of the Republic of Belarus *On Pledge* dated November 24, 1993, the Banking Code, and the *Instruction on the procedure of the extension to banks by the NBRB of loans collateralized with securities*, endorsed by the Resolution of the NBRB Board of Directors No. 172 of May 29, 2003. The Instruction defines the rules and procedures for extending overnight credit to participants in the BISS against collateral in the form of a pledge. The participants are required to enter into a general credit agreement with the NBRB. The list of eligible collateral includes government bonds, debt securities issued by the NBRB, and corporate debt instruments.

The Civil Code explains that repos (repurchase agreements) in the Republic of Belarus entail a transfer of ownership of the underlying securities; in case of a default of the party that borrowed cash, the underlying securities are considered to be owned by the other party.

With regard to the NBRB's payment system oversight function, provisions in the Banking Code (mainly articles 25 and 30) allow the NBRB to perform oversight activities. However, detailed objectives of this activity and the scope of the oversight, as well as oversight instruments and organization of oversight activity, are not formally elaborated.

The law on electronic documents, enacted in 2000, gives electronic signatures the same legal status as handwritten signatures, and allows them to be accepted as evidence in legal trials. This law also creates a National System of Certification and the State Center for Information Security. In this last regard, the *Instruction on Effecting Interbank Settlements through the AIBSS* states that digital certificates must be obtained from the latter organization to operate in the BISS and the CS.

## 2.1.2 Securities

The legal and regulatory framework for securities settlement systems is mainly comprised of the Civil Code, the Law on Joint Stock Companies, the "Law of the Republic of Belarus on Securities and Stock Exchanges" of March 12, 1992, amended on June, 1996, and November, 2002; the "Law of the Republic of Belarus on Depository Activities and Central Securities Depository" of July 9, 1999, and amended on June 26, 2003; a set of Regulations on Depository Transactions, of which the most noteworthy is probably the "Uniform Standards of Concluding and Recording Depository Transactions in the Depository System of the Republic of Belarus" endorsed by the Order of the Government Committee on Securities of August 20, 1998; and, a set of regulations on recording government and NBRB securities promulgated by securities depositories,.

Some of the basic concepts affecting securities settlement are contained in the Law on Securities and Stock Exchanges. Dematerialization of securities is described in Article 1, section 3, and the transfer of securities through book-entries is contained in Article 4, section 4. However, this law does not govern the issue and circulation of government or NBRB securities. These are governed by individual decrees.

The *Law on Depository Activities and Central Securities Depository* is, on the other hand, applicable to both government and NBRB securities, as well as to securities issued by private sector entities. This law creates a two-tier depository system in Belarus. In essence, this Law regulates the securities custody/nominee holding activities of banks and non-bank credit and financial institutions, requiring them to obtain a license, with the concurrence of the NBRB, to carry out "depository activities" (i.e. to act as nominees). It also provides the basic principles for the functioning of central securities depositories.

Beginning in August 2006, the registries of shareholders of all open joint stock companies in Belarus were sent to the central securities depositories. This provision was mandated in a reform of the *Law on Joint Stock Companies* to increase certainty on the ownership of securities.

Other normative legal acts regulating securities are:

- The Investment Code of the Republic of Belarus aims to create a favorable investment climate. The code defines general legal conditions for investment activity in the Republic of Belarus and is aimed at stimulating and securing state support, while protecting investor rights.
- The Law of the Republic of Belarus dated December 13, 1999, "On Circulation of Transferable and Ordinary Bills", which defines the general conditions for the regulation of procedures for the issuance and circulation of transferable and ordinary bills in Belarus to protect the interests of the State, and the rights, freedoms, and legal interests of bill-holders, bill-makers, and other participants of bill circulation.
- The Decree of the President of the Republic of Belarus #366, dated July 20, 1998, "On Improving the System of State Regulation of the Securities Market". This decree

establishes that state regulation of the securities market lies with the Securities Committee under the Council of Ministers of the Republic of Belarus (the "Securities Committee"). This decree also defines the structure of the depository system and its functions. Finally, this decree also creates the Belarusian Currency and Stock Exchange, an open joint stock company, to carry out stock exchange trading in securities of all types.<sup>10</sup>

- The Resolution of the Council of Ministers of the Republic of Belarus #1740 dated November 14, 2000, "On Some Issues of Circulation of Securities of Open Joint Stock Companies", which defines the procedure for transactions involving corporate securities in the secondary market.
- Resolution of the Council of Ministers #456, dated May 8, 1997, "On Protecting the Rights of Investors" stipulates the penalties for violating the securities legislation.

### 2.1.3 Derivatives

The tasks of organizing the national market of derivatives are defined in Resolution of the Board of the National Bank of the Republic of Belarus #18 dated July 28, 2000. The Securities Committee has developed and approved *Resolution on Derivatives*, which defines types of derivatives (futures, options) as well as contract terms.

Besides, in 2003 the *Rules for Organizing Term Transactions* were developed (Resolution of the Board of the NBRB and the Securities Committee #146/08 dated July 30, 2003), which define requirements to organizing term transactions in the trading system of the BSCE and requirements to term transaction participants.

In January 2001 a Directorate of Term Market Transactions was created at BSCE. The BSCE Supervisory Board – having coordinated with the Securities Committee – approved normative documents necessary and sufficient to organize and launch the term market section in the exchange. In particular, normative documents have been approved to regulate the following:

- Rules for membership in the term market section of the BSCE.
- Trading day procedure.
- Rules for making term transactions.
- Procedures for Euro and US dollar exchange rate futures.
- Procedures for futures on variable interest (coupon) government securities.

## 2.2 ROLE OF FINANCIAL INSTITUTIONS: PAYMENTS

### 2.2.1 Banking Sector

In accordance with Article 5 of the Banking Code of the Republic of Belarus, the banking system of the Republic of Belarus is a two-tier system including the National Bank of the Republic of Belarus (NBRB), commercial banks and non-bank credit-and-financial organizations. As of January 1, 2006 there were 30 banks-residents of the Republic of Belarus with a total of 439 branches inside the country's territory.

The NBRB makes some specific payment transactions and services a limited circle of clients. In particular, apart from commercial banks the NBRB services settlement and cash transactions of the Government of the Republic of Belarus, the Ministry of Finance, the Main State Treasury of the Ministry of Finance and its regional offices, the Ministry of Defense, Ministry of Interior Affairs, State Security Committee, State Committee on Financial Investigations, State Committee on Material Reserves.

---

<sup>10</sup> Excluding the so-called "privatization vouchers".

Banks of the Republic of Belarus provide settlement and (or) cash services to individuals and legal entities, including correspondent-banks (Article 14 of the Banking Code). Banks have been paying great attention to the expansion of services rendered to households and the enhancement of their quality. According to the Ministry of Statistics and Analysis, the volume of paid services provided by the banks to households in 2005 in comparable terms (adjusted for the CPI) grew by 95.4 percent. The banks have been working on new forms of making express transfers via private payment systems, including Internet services, traveler and bank cheque transactions, depository services for the accounting of securities and safekeeping of documents and valuables in individual safe deposit boxes.

## **2.2.2 Other Institutions Providing Payment Services**

The Republican Unitary Enterprise of postal services “Belpochta”, its branches and other structural subdivisions including detached ones (hereinafter referred to as RUE “Belpochta”) make the following types of payment-related operations with the general population:

- receiving money resources to make postal (telegraph) transfers, including international postal transfers;
- receiving money resources to make payments to other organizations (payments for utilities, gas, parking services, electricity, infant schools etc.);
- paying money resources against postal (telegraph) transfers including international postal transfers;
- paying pensions and benefits according to social protection authorities’ payrolls;
- paying money resources to holders of bank plastic cards.

Moreover, RUE “Belpochta” – based on agency contracts drawn with commercial banks – can make the following bank transactions in Belarusian rubles associated with servicing individuals:

- to draw contracts with individuals on opening bank deposits, current bank accounts, card-accounts;
- to accept and transfer to a bank the following documents for execution: contracts, documents needed for opening (closing) accounts, payment orders of individuals for money to be transferred from their deposit, and current accounts;
- to accept from individuals for further transfer to a bank and to pay to individuals money resources in accordance with bank deposit, current account contracts drawn;
- to issue statements of deposit, current, and card accounts of individuals;
- to accept from holders of card-accounts and transfer to a bank money resources to replenish individuals’ card-accounts.

## **2.3 ROLE OF FINANCIAL INSTITUTIONS: SECURITIES**

### **2.3.1 Securities Market Participants**

As of January 1, 2006 the securities market in the Republic of Belarus was represented by the following participants:

- 4,620 issuers, including 1,816 OJSC and 2,804 CJSC;
- Approximately 1.5 million investors/securities holders;
- 111 professional securities market participants, including 27 banks and the State Property Fund.

The State acts as an issuer and as an investor. As the securities market authority, the State, on the other hand, prepares and adopts legislative acts, and creates the relevant state agencies to determine the terms and procedure for securities market regulation in order to support its efficient functioning and protect its participants.

Professional securities market participants in the Republic of Belarus can include legal entities, residents and non-residents of the Republic of Belarus specializing in working with securities, operating in the securities market on instruction and at the expense of their clients (broker activity), at their own expense (dealer activity), on instruction of an issuer in the process of primary sales of securities, and providing other services in securities (trust management operations with securities, depository activity etc.). Professional participants must have enough own capital corresponding to their type of activity and volume of operations in the securities market.

In order to reduce risks in transactions with securities, financial and qualification requirements to professional participants and their employees were tightened in 2005. The requirements meet international standards and are aimed at reducing the number of unfit professional participants. In 2005 transactions with securities were made by 88 professional participants, while in 2004 there were 100 active professional participants.

### **2.3.2 Exchanges**

The Belarusian Securities and Currency Exchange (BSCE) is the only organized securities exchange in the country. The first foreign currencies trade was held in 1993 when it was called Interbank Stock Exchange, and the first government securities trades were held in 1998 when it became BSCE.

In 1999, the BSCE started performing securities depository functions. In 2000, the Belarusian Quotation Automated System (BEQAS) was introduced to service over-the-counter market.

At present, the BSCE participates as a trade organizer in the following market segments: currency, government securities, NBRB securities, corporate securities, municipal loan bonds, exchange market bills. The BSCE also operates the securities settlement system for all types of securities that are traded at the stock exchange.

## **2.4 MARKET STRUCTURE AND REGULATION**

The Securities Committee under the Council of Ministers of the Republic of Belarus (the "Securities Committee") is the regulator of the securities market. Three other authorities are involved in regulatory/supervisory activities for the securities market. The Ministry of Finance issues the regulations for government securities and supervises its overall functioning. So does the NBRB for the securities it issues. Finally, the Ministry of Economy is involved in the program of privatization of formerly state-owned enterprises through the public offering of securities.

In the area of banking and payment services, the State promotes establishment and development of an efficient and stable payment system to service securities operations, and access of domestic and foreign investors to the market. The NBRB issues the license for commercial banks, and is the sole regulator and supervisor of commercial banks in Belarus. The NBRB is also at the center of the national payment system, as operator of the main large-value payment system in the country and an interbank clearing system.

## **2.5 ROLE OF THE CENTRAL BANK**

### **2.5.1 Monetary Policy and other Functions**

The priority objective of monetary policy in 2005 was to protect and deliver stability of the Belarusian ruble, including its purchasing power and the rate of exchange relative to foreign currencies. The chosen monetary policy regime implied the use of the Belarusian ruble exchange rate as a nominal anchor for price processes based on both direct containment of growth of the ruble equivalent of import prices and indirect influence on domestic price movements on the basis of influence on money supply in the national currency and intensity of competition. The exchange rate of the Belarusian ruble relative to the Russian ruble was used as a monetary policy benchmark.

### **2.5.2 Involvement in the Payment System**

According to Articles 25, 26 of the Banking Code the main functions of the National Bank include providing for efficient, reliable, and safe functioning of the payment system and interbank settlement system. The rights of the National Bank in the area of payment system development in the Republic of Belarus are identified in Article 30 of the Banking Code, in accordance with which the National Bank identifies the major directions of improving the payment system of the Republic of Belarus, establishes the rules, forms, terms, and standards for cash and non-cash settlement in the Republic of Belarus, as well keeps the departmental data archive for statistical processing and providing evidence on activity and operations made during interbank settlements.

For more than a decade the NBRB has played an active role in the launch of more efficient interbank payment systems, and already has been able to achieve major improvements for domestic interbank funds transfers. At present, systemically important payment systems operate efficiently and safely, thereby significantly reducing systemic risks that could arise from funds transfer activities. The reform has also included securities and foreign exchange settlement systems. Furthermore, significant improvements have been made to the legal and regulatory framework.

The long-term goals for the development of payment systems in Belarus are depicted in the “Conceptual Framework for the Development of the National Payments System of the Republic of Belarus until 2010 based on International Trends” (hereinafter the “Conceptual Framework for Development of NPS”) approved by the NBRB Board by means of a Resolution dated May 26, 2004. The “Conceptual Framework for Development of NPS” covers virtually all areas that are relevant for payment system development.

More specifically, the following topics are developed in the “Conceptual Framework for Development of NPS”:

1. Key aspects of development of the automated interbank settlement system.
2. Improvement of the settlement system for buy-and-sell transactions with securities and term market instruments.
3. Directions of development of the system of non-cash settlement with the use of bank plastics cards and other electronic payment instruments.
4. Further development of the software and hardware infrastructure.
5. Technical norms, standards, and conformance evaluation.
6. Principles for the functioning of the AIBSS in force-majeur circumstances.
7. Financial and economic aspects and pricing policies.
8. Major aspects of organizing the NBRB’s performance of payment system oversight functions.

### **2.5.3 Payment System Oversight**

Articles 25 and 30 of the Banking Code of the Republic of Belarus describe the main objectives of the NBRB. According to article 30 of the Banking Code, the NBRB identifies the major directions for payment system development, establishes the rules, forms, terms, and sets the standards for non-cash and cash settlements in the Republic of Belarus, as well as the liability

for violating them. One interpretation of this law is that the NBRB has full freedom to act and apply tools when undertaking its oversight function.

#### **2.5.4 Banking Supervision**

In recent years the NBRB has been improving its banking supervision procedures with a view to bringing them closer to the international standards. In particular, implementation of new approaches to capital adequacy calculation and estimation of credit risk concentration with respect to the correspondent banks began in 2005.

A step-by-step transition to a daily control over compliance with the major economic standards is underway. This is conducive to improving the system of early warnings and procedures for the banks' risk management. Also, prudential reporting procedures are being streamlined in order to substantially reduce the number of reports.

For the purpose of improving the protection of funds deposited by natural persons with the banks and avoiding dangers to depositors' interests, the NBRB has been endeavoring to raise the requirements to capital transparency of the banks claiming a license to attract funds from natural persons. Such licenses will not be granted to those banks whose capital has been raised by using funds from offshore zones as well as from non-residents who have not been given a reliable rating by the acknowledged international rating agencies; and risk limits in cases where banks place funds abroad.

During 2005 and 2006, some of the highlights of the NBRB's banking supervision function included:

- monitoring, on an ongoing basis, bank exposures and creation by the banks of provision for depreciation of securities;
- conducting comprehensive inspections, covering such issues as the quality of assets, accuracy of their classification, extent to which a special reserve for assets subject to credit risk has been established, and the banks' capital adequacy.
- particular attention is also being paid to the banks' compliance with anti-money laundering laws and organization of the banks' internal control system.

A step-by-step transition of the Belarusian banking system to the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) continued by way of developing and introducing the National Accounting Standards. According to the State Program of Transition to the IAS/IFRS in the Republic of Belarus, approved by Resolution of the Council of Ministers of the Republic of Belarus No. 694 dated May 4, 1998 (Corpus of decrees and edicts of the President and resolutions of the Government of the Republic of Belarus No. 13, 1998, p. 341), transition is to be completed prior to January 1, 2008. This will make it possible to enhance investment attractiveness and competitiveness of the Belarusian banks and facilitate their access to the international capital markets.

## **2.6 ROLE OF THE SECURITIES REGULATOR**

The major principle of the securities market development in the Republic of Belarus is that of realizing nationwide interests and providing for safe investment activity. The state regulation of the securities market includes:

- providing for mandatory public disclosure of all significant information about the securities market;
- licensing and regulating professional market participants' activity;
- oversight over stock exchange trade in securities, introduction of mandatory for market participants trading rules;

- instituting administrative and criminal liability for those persons who use confidential information to get income or evade tax payments on operations with securities;
- establishing unified qualification and financial requirements for professional securities market participants, rules for registration and issue of securities, as well as standard rules for arranging operations with securities, accounting and reporting on these operations, and a procedure for keeping a register of securities owners;
- guaranteeing rights of securities owners (access to financial reports of issuers, participation in managing by means of realizing the voting right, unhindered and quick transfer of securities ownership rights etc.).

The Securities Committee under the Council of Ministers of the Republic of Belarus is the regulator of the securities market. It was first established in 1992 as a State Inspection of the Republic of Belarus on Securities, and was transformed into the Securities Committee under the Council of Ministers of the Republic of Belarus (the “Securities Committee”) in accordance with the Presidential Decree of September 24, 2001. Its main functions include state regulation of securities market; control and supervision of both securities issuance and circulation, and activities of professional securities market participants; registration of securities issuance; and licensing of professional securities market activities. The Securities Committee sets the rules for issuance and registration of shares and bonds, excluding government and NBRB securities.

The Securities Committee is responsible for: (i) maintaining the State Register of Securities; (ii) granting of licenses for professional market participants; (iii) the regulation and supervision of professional market participants (iv) the examination of self-regulatory organizations (SROs) such as the Republican CSD.

## **2.7 THE ROLE OF OTHER PRIVATE AND PUBLIC SECTOR ENTITIES**

### **2.7.1 Bankers’ Association**

The Commercial Banks Association plays a key role in coordinating the interests of the commercial banks. It is open to all banks as well as to certain non-bank institutions active in the financial market and represents around 98 percent of total banking assets in the Republic of Belarus. The Commercial Banks Association is consulted by the NBRB for expert opinion on relevant topics and can propose legislative changes. For example, the Commercial Banks Association was involved in the drafting of the “Conceptual Framework for the Development of the National Payments System of the Republic of Belarus until 2010 based on International Trends”. In addition, ad hoc working groups were established for the drafting and implementation of specific initiatives in the area of payment and securities clearing and settlement systems.

### **2.7.2 Association of Securities Market Participants**

Securities market participants can, on a voluntary basis, form associations to promote efficiency of the securities market functioning, to strengthen market surveillance and related controls, and to strengthen market transparency. In this regard, in January 2003 the Belarusian Association of Securities Market Participants (BASMP) was incorporated.

The major objective of the BASMP is to coordinate entrepreneurial activity of the securities market participants. Presently its members are represented by 22 professional securities market participants, of which 5 are banks.

### 3 PAYMENT MEDIA USED BY NON-FINANCIAL ENTITIES

#### 3.1 CASH

Bank notes and coins are an important means of payment for consumers, representing about 41 percent of monetary aggregate M1. In most rural areas, cash is the only means of payment.

The official currency in the Republic of Belarus is the Belarusian Ruble (BUR), which was introduced in May 1994. The NBRB is the only issuer of legal tender in the country. The NBRB designs and prints bank notes, distributes them, replace damage ones, and identifies and removes from circulation counterfeit notes.

Bank notes are issued in the following denominations: 1, 5, 10, 20, 50, 100, 500, 1000, 5000, 10000, 20000, 50000 and 100000. As of December 2005, BUR 2016,4 billion were in circulation, including bank notes and coins, an amount equal to approximately 3,2 percent of the GDP.

**Table 2: Bank Notes and Coins**  
(in BUR million)

	2006
Total currency issued	2,016,411
Total banknotes issued	2,016,411
<i>of which, in denominations of:</i>	
1	-
5	-
10	806.6
20	1,209.9
50	2,419.7
100	4,637.8
500	10,687.0
1,000	31,859.9
5,000	102,635.3
10,000	260,721.94
20,000	545,842.0
50,000	941,059.0
100,000	114,532.0
Coins issued	0

Source: NBRB.

#### 3.2 PAYMENT MEANS AND INSTRUMENTS OTHER THAN CASH

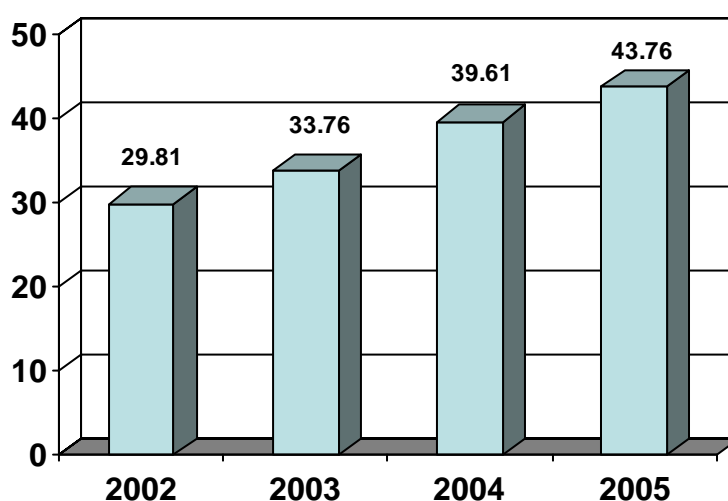
##### 3.2.1 Direct Credits and Direct Debits

The payments system in the Republic of Belarus is characterized by the use of electronic credit transfers for urgent, non-urgent, and other transfers, and by the use of cash and some cashless payment instruments for retail transactions. To date debit instruments such as cheques and direct debits, are not widely used.

In 2005, there were 43 million credit transfers made in the BISS and the CS for the amount of *BUR* 325,532.60 million. Payments in the BISS system are made on the basis of electronic payment documents that contain all the necessary information necessary for interbank settlement, and, if applicable, for clients' payments. Settlement in the CS is based on the processing of registries of incoming payments, which are formed on the basis of clients' payment documents as well as the bank's own responsibilities.

In order to make postings to clients' accounts, banks exchange paper payments documents.

**Figure 1: Combined Volume of Transactions in the BISS and the CS**  
(2005-2005, in millions)



Source: NBRB

### 3.2.2 Payment Cards

The NBRB pays significant attention to the development of payment cards. As of January 1, 2006 there were 3.2 million payment cards of combined local and international settlements systems, representing a 31 percent growth in comparison with the previous year, and approximately 1,256 automated teller machines (ATMs). As of that date, more than 4,500 merchants in Belarus were accepting payment cards as a form of payment for goods and services. Payment cards are issued by banks licensed by the NBRB in accordance with the legislation.

Currently, 18 commercial banks have a license to issue payment cards. Cards of both national and international systems are issued, including VISA, Europay International, American Express and Diners Club. The overwhelming majority of cards in circulation are debit cards. In general cards are used for cash withdrawals at ATMs rather than for direct payments at POS terminals.

A payment system project based on local payment cards was launched in Belarus in 1994. A company called "Payment system BelCard" was established by six commercial banks and the NBRB with the intention of increasing interoperability of card systems in the country, and to facilitate processing, clearing and settlement. Today, 8 banks participate in BelCard.

BelCard processes information collected from the banks and calculates multilateral net positions among the participants until 1:00 p.m. BelCard sends the results of the clearing in electronic form to the NBRB. Settlement of interbank net positions is done through the BISS on T+0.

For transactions made with VISA and Europay/Mastercard cards, the NBRB launched the “National Net Settlement Project”. Through this system, clearance and calculation of net positions among member banks is made by VISA’s London office and Europay/Mastercard’s Brussels office. The results of all local transactions are sent back to the NBRB for settlement through the BISS. Transactions made with cards issued in other countries are settled abroad.

### **3.2.3 Postal Instruments**

The Republican Unitary Enterprise of postal services “Belpochta” provides some payment services to individuals such as collection of utility payments and disbursement of pensions, among others.

As regards postal payment instruments, Belpochta receives money resources to make postal (telegraph) transfers, including international postal transfers. It also pays in cash against postal (telegraph) transfers including international ones like remittances.

## **3.3 NON-CASH GOVERNMENT PAYMENTS**

The public sector has a very important role in the payments system of Belarus. Government payments are processed through the Treasury of the MOF. The NBRB is the agent of the MOF and executes its transactions according to the electronic instructions sent by the latter. The Treasury has an account within the NBRB, although it does not have direct access to either the BISS or the CS.

Collections from legal entities and individuals are organized via commercial banks and their branches through transit accounts of the seven independent State Departments of the Treasury (SDT). Each collecting agency (e.g. regional customs, tax authorities, etc.) has a current account within a specific SDT responsible for collection. Commercial banks distribute payments among SDT’s transit accounts according to the payment details. Payments are then forwarded to BelarusBank, where the Treasury holds an account for preliminary accumulation of all collections and disbursements. Collections and disbursements are finally processed through the BISS among BelarusBank and the NBRB, the latter acting as agent for the Treasury crediting and debiting the account of the latter.

## 4 PAYMENTS: INTERBANK SETTLEMENT SYSTEMS

### 4.1 LOW-VALUE PAYMENT SYSTEMS

In Belarus, retail payments are generally made with cash, but the number of transactions made with payment cards or through electronic funds transfers is growing.

#### 4.1.1 Payment Cards

BelCard processes information collected from the banks and calculates multilateral net positions among the participants until 1:00 p.m. BelCard sends the results of the clearing in electronic form to the NBRB. Settlement of interbank net positions is done through the BISS on T+0.

For transactions made with VISA and Europay/Mastercard cards, the NBRB launched the "National Net Settlement Project". Through this system, clearance and calculation of net positions among member banks is made by VISA's London office and Europay/Mastercard's Brussels office. The results of all local transactions are sent back to the NBRB for settlement through the BISS. Transactions made with cards issued in other countries are settled abroad.

#### 4.1.2 The Clearing System (CS)

Bank customers are increasingly using the Clearing System (CS) operated by the NBRB to make interbank electronic funds transfer. Funds transfers can also be made through the BISS, as this last system allows for third-party payment details to be included in the payment message. Cheques are not generally used in the country for payment purposes.

The CS is a designated low-value payments system. The payment value of each individual payment must not exceed 3,000,000 *BUR* (about US\$ 1,400). A total of 34 institutions, including the NBRB, participate in the CS. In order to become a participant, banks must have a banking license issued by the NBRB, a correspondent account at the NBRB, a record in the banking directory and positive feedback of the NBRB after examination of technical facilities. In 2005 the clearing system processed 39,425,100 payments for a value of 22,040.3 billion *BUR*. In that same year the average daily volume was 154,600 transactions, with a peak of 217,375.

Payments are settled on day T+0. During the operational day, payments are settled in five settlement windows, each following a payment collection periods. Each settlement session requires that the participants block in advance funds in their BISS account. There are no bilateral debit or credit limits in the CS. To block necessary liquidity participants send an electronic message to the BISS. Those payments unsettled during any of the first four sessions are kept in a queue for settlement in the next session(s). The fifth session is intended solely for the settlement of unsettled payments of the previous sessions.

**Table 3: Processing Sessions and Settlement Windows in the Clearing System**

Sessions	Payments collection sessions	Settlement windows
I	07:45 -9:30	9:30 - 10:00
II	9:30 – 12:30	12:30 - 13:00
III	12:30 -14:30	14:30 -15:00
IV	14:30 -16:00	16:00 -16:45
V	Not applicable	18:00-18.15

Source: NBRB.

Multilateral net positions to be settled in the BISS are calculated on the basis of the outgoing and incoming payments as well as the available balance in the BISS for each participant. Payments are final and irrevocable after posting of the clearing results on participants' correspondent accounts with the NBRB.

At the end of each session the NBRB delivers reports of settled and cancelled payments. Cancellation of payments might be initiated by participants through electronic requests sent to the CS before settlement takes place; if cancellation is successful the information will be included in the report of cancelled payments corresponding to the end of the current session.

The NBRB distributes information with the final net positions to all participants after the fourth settlement session. Positions include payments which have not been settled during the day due insufficient funds in the BISS account. At this moment, and no later than 6:00 p.m., participants have to provide the necessary funds; otherwise the payments are cancelled, and in case those payments originated net positions the latter are unwound.

The message content in the CS does not include all the payment details and contains the only information necessary for the interbank settlement. Therefore, in order to credit the relevant bank customer an exchange of paper documents between participants takes place at the end of the day.

The NBRB charges *BUR* 137 for each accepted and processed payment document, however a coefficient is applied to the basic tariff depending on the time payment has been submitted to the CS. See Table 4.

**Table 4: Coefficients applicable to the basic tariff in the CS**

Submitting time	Coefficient
8:00 a.m. to 4:00 p.m.	1
4:00 p.m. to 6:00 p.m.	1.3

Source: NBRB.

## 4.2 LARGE-VALUE PAYMENT SYSTEMS

The Belarus Interbank Settlement System (BISS), owned and operated by the NBRB, is designed to settle large-value and/or time-critical payments. The system went live in 1998, and was modernized in 2005. In 2005, the BISS handled 4,378 000 payments which accounted for 9.9 percent of the total volume of payments processed through the NBRB systems, for an amount of *BUR* 303.5 trillion, equivalent to 93 percent of the total value of payments. The average daily turnover in the BISS in 2005 amounted to 17,000 transactions in terms of volume and *BUR* 1,190.2 billion in terms of value.

All large-value payments (*BUR* 3 million or more) and non-large-value urgent payments are settled on a gross basis in real time in the BISS. The clearing of low-value and non-urgent payments occurs in the clearing system five times a day and the calculated net positions of the participants are also settled in the BISS.

In addition, cash positions arising from trades with securities and financial instruments of term deals are settled through banks in the BISS system. The NBRB is also a settlement agent for payment card schemes in the country. The settlement of the multilateral net positions resulting

from the clearing of domestic card transactions and international payment cards VISA International and Europay/Mastercard takes place through the BISS.

The rules and procedures as regards financial and operational risks and its management, information on the system design, system timetable and technical procedures are well documented and understood by the participants.

The operation day of the BISS starts at 8.30 a.m. The cut-off time for accepting client payments is 4.30 p.m. Client payment waiting in the central queue are processed until 7.00 p.m. All client payments which are not settled by that time are rejected by the system. Interbank payments are accepted and processed from 8:30 a.m. to 7:30 p.m. Interbank payments unsettled by 7:30 p.m. are rejected. The BISS system closes daily operations at 7.30 p.m.

The BISS participants are banks, non-bank credit and financial organizations of the Republic of Belarus and non-resident banks. The *Instruction on Effecting Interbank Settlements through the AIBSS* defines the criteria for entry into and exit from the BISS based on safety and soundness considerations. In order to participate in the BISS, each bank is required to establish correspondent relations with the NBRB by signing a bilateral correspondent agreement and opening a correspondent account in the NBRB. The Instruction on the Procedure for Non-resident Banks' Access and Connection to the BISS System of the National Bank of the Republic of Belarus (approved by Resolution of the Board of the National Bank #176 dated November 23, 2004) defines the access of foreign-owned banks. As of 1 January 2006, there were 35 participants in the BISS, including the NBRB.

Each bank has only one correspondent account at the NBRB. The participants use the available balances in their correspondent account to settle their payment obligations at the BISS. No overdraft facilities are permitted; a payment is settled only if sufficient funds are available in the account of the paying participant. If the payment is larger than the funds available, it is placed temporarily in a (centrally located) system queue.

Electronic payments sent to the BISS system are automatically assigned priority depending on the status specified by the sending bank. Urgent payments, including the NBRB's electronic payment documents, are processed first (with high-priority) in accordance with the legislation of the Republic of Belarus, on a gross basis within the limits of the balances available in banks' correspondent accounts. The BISS employs an optimization algorithm for non-urgent payments, which allows for minimizing the number of queued payments. The algorithm is activated automatically at regular intervals and the settlement takes into account the balances reserved in banks' correspondent accounts for making settlements for non-urgent payments in the BISS system. An end-of-day procedure (settlement window) helps to maximize the number of settled payments.

The *Instruction on Effecting Interbank Settlements through the AIBSS* allows for different interpretation of the settlement rules for non-urgent payments. In this regard, article 38 states that all payments in the BISS are settled individually (on a gross basis) and for the full amount. On the other hand, the same article explains that non-urgent payments are settled by using payment netting algorithms taking into account the money resources reserved in banks' correspondent accounts for making settlements for non-urgent money transfer in the BISS.

Payments are irrevocable, once they are sent and accepted by the BISS. Exceptions are allowed in case of both urgent and non-urgent payments, only for erroneous payment documents or for payments which create a gridlock situation.

At the beginning of the operation day the information on the balances on banks' correspondent accounts is transferred from the operational system of the NBRB to the BISS. When the operational day is over, the BISS sends back information on debit/credit turnovers on banks' correspondent accounts and this is then be reflected on the NBRB's balance sheet. Therefore,

it could be interpreted that finality is achieved only at the end of the operating day (when the information on debit/credit turnovers on banks' correspondent accounts is reflected on the National Bank's balance sheet).

#### **4.2.1 Management of Credit and Liquidity Risks**

The BISS rules include a wide range of risk management tools. Since the payments of each participant are processed on a gross basis (payment by payment) via the banks' correspondent accounts using the available balances, the participants do not undertake credit risk. The optimization algorithm for non-urgent payments minimizes the risk of gridlocks, while at the same time reduces liquidity needs.

Risks associated with the settlement of net debit (credit) balances resulting from the CS and the operations with securities are controlled through pre-funding. The rules of the BISS envisage that the participants reserve funds on their correspondent account for assuring completion of settlements of the net balances. As regards the settlement of bank card payments, the net positions are settled only if enough funds are available in the accounts of the participants with net debit positions. Otherwise the NBRB postpones settlements until funds are available and informs the relevant parties about the delay.

The participants can control their intraday liquidity risk by active queue management. The system's rules allow participants to re-order and re-prioritize queued payments. An end-of-day procedure (settlement window) helps to maximize the number of settled payments.

The BISS supports a real-time information system (financial information transmittance system) which enables participants, inter alia, to continuously monitor the status of the outgoing and incoming payment orders, their account balances, and to control and manage the available liquidity through, among others, requesting funds to be reserved for different purposes.

The participants have access to several sources of funds to manage their intraday liquidity. These include their reserves holdings with the NBRB, overnight credit facilities, and Lombard credit. In addition, banks can borrow in the interbank money market, as well as enter into repos and swaps agreements. However, these last set of intraday liquidity sources are not currently used: in February 2006 the use of reserve holdings covered more than 80 percent of intraday liquidity needs, while the overnight credit and Lombard accounted for 17 and 3 percent, respectively.

The BISS rules allow the participants to use part of their reserve requirements. These funds are available free of charge subject to certain limits posed by the NBRB.

Banks can borrow funds from the NBRB against collateral. The list of the eligible collateral includes government bonds and bonds issued by the NBRB, as well as corporate bonds. The haircut rate is 10 percent for government and NBRB's bonds, and 25 percent for corporate bonds. Participants can use these funds free-of-charge if they repay the loan before the end of the operating day of the BISS. Otherwise, the participant must pay a penalty overnight interest rate (currently 16 percent) to the NBRB. In January 2006, less than 1 percent of intraday credit granted was transformed into overnight credit, while in February, it amounted to 0 percent.

#### **4.2.2 Management of Operational Risk**

The BISS and the CS share the same technical and telecommunication platform, known as AIBSS.

The basic AIBSS and payment system security policies are generally fixed in a number of normative documents and instructions of the NBRB, the main ones being the *Conceptual Framework of the Information Security of the Payment System* and the *Instruction on Providing for Information Security in the Automated Interbank Settlement System*.

The established security policies and facilities of the AIBSS maintain the following security measures:

- registration and authorization of all AIBSS users prior to the access to AIBSS resources;
- required identification and authentication of users prior to making operations in the system;
- controlled access to the AIBSS resources for all subjects (processes and users);
- protection of data transmitted via external communication channels with own cryptographic means;
- controlled configuration and status of the AIBSS equipment;
- physical protection of the AIBSS equipment from unauthorized access;
- backup of all critically important resources of the AIBSS (information, computing, communication);
- establishing and testing business continuity plans for restoring the computing process and resources.

The telecommunication network is a specialized network for data transfer with packet switching that provides users with the basic data transfer network service in the city of Minsk. The main transport protocol of the AIBSS telecommunication network is TCP/IP. The AIBSS financial information is transmitted in the network in protected form through the financial information transmittance system.

Taking into account the importance of the BISS for the financial sector, measures are constantly taken and facilities are installed to ensure a high level of security and performance of the system. Business continuity planning (BCP) has been developed in cooperation with system participant and has been tested. The BCP document identifies critical resources of the IT complex and establishes a quarterly testing schedule. In addition, the NBRB has developed requirements and recommendations for system participants regarding the latter's preparedness and own BCP.

Business continuity measures include hardware and software backups, contingency plans for business continuity and recovery procedures, and data storage and warehousing. At present, a fully operational secondary processing site is already in place. A facility is organized for making interbank settlements through the BISS system in the backup regime that allows to effect payments in case of participants' software or hardware failures.

### 4.2.3 Pricing

In general, the pricing policy of the NBRB aims at covering mainly operational and communication costs. The settlement centre, which is part of the NBRB, bears the major development costs. Banks are required to cover only the costs of putting in place technical and communication means.

As regards processing fees, the current pricing scheme is shown in Table 5. The basic tariff is 418 BUR, which is multiplied by an increasing coefficient depending on the time of the day in which the payment instruction is received by the system.

**Table 5: Coefficients applicable to the basic tariff in the BISS**

Time span	Coefficient
8.00 a.m. -11.00 a.m.	0.6
11.00 a.m. -2.00 p.m.	1.0
2.00 p.m. -4.00 p.m.	1.3
4.00 p.m. to the end of the current	2.0

operating day of the BISS system	
----------------------------------	--

Source: NBRB.

### 4.3 FOREIGN EXCHANGE SETTLEMENT SYSTEMS

There is one formal trading system for foreign exchange transactions in Belarus which is operated by the Belarus Securities and Currency Exchange (BSCE). Trades and settlement are regulated by the "Settlement Rules for Foreign Exchange Trades" Number 186 dated 24 September 2002 approved by the Board of Directors of the NBRB.

According to the legislation legal entities are obliged to sell 30% of their inflows in foreign currency derived from export activity through the BSCE.

In total, US\$ 37 billion was traded in the foreign exchange market during 2005. Approximately 20 percent of the total value traded in the domestic foreign exchange market (US\$ 7 billion annually) is traded at the BSCE and settled on a PvP basis through the NBRB. This option is available only for those commercial banks that have been granted a license to operate foreign exchange. The currencies that are traded at the BSCE are the US\$, the Euro, the Russian Ruble and the Ukrainian Grivna. The US\$ represents more than 95 percent of total market volume.

The foreign currency trading system at the BSCE is a "blind" system, i.e. trades are made on an anonymous basis. Participants submit their bids to the BSCE until 10:45 a.m. through the workstations set up at the trading floor of the BSCE. The trading session takes place once a day from 11:00 a.m. – 11:30 a.m. Bids already entered can be changed during the trading session. Also, additional bids can be entered at this time.

On the date of trade before 10:00 a.m. participants have to pre-fund their expected net debit position in BUR with the NBRB. This is calculated as the difference between own sell and buy bids placed at the BSCE. Pre-funding in foreign currency is not required. After the trading session, the BSCE calculates multilateral net settlement positions of participants in each currency, prepares final trade reports and payment instructions on behalf of the NBRB.

Any difference between the pre-funded amount and the actual net position must be fulfilled by 4:30 p.m. While the BUR leg is executed through BISS, the foreign currency leg is transferred via foreign correspondent banks. In either case, whether the participant is selling or buying a foreign currency, the NBRB steps in the middle of the settlement process and transfers the proceedings of one currency once it receives the funds corresponding to the other leg.

The NBRB guarantees the fulfillment of settlement obligations by the parties and acts as a central counterparty. In case some participant fails to meet its obligation the NBRB covers his position and later on negotiates reimbursement with the failed participant. As a penalty, the NBRB will require 100 percent pre-funding for both BUR and foreign currency legs for future trades for the failed participant.

For the buyers of foreign currency the BSCE charges a 0.02 percent of the traded amount. For sellers of foreign currency the fee is also 0.02 percent. Currencies other than US\$, the Euro, the Russian Ruble and the Ukrainian Grivna are traded OTC, but through the BSCE trading facilities. In this case the BSCE charges 0.005 percent of the traded amount.

The remaining 80 percents of the market corresponds to over-the-counter (OTC) trades which are settled through ordinary correspondent bank arrangements. Settlement of these transactions is based solely on private bilateral arrangements and not regulated in any particular manner. Therefore full credit and liquidity risk could occur depending on the private

agreements between the different parties. The transactions are neither closely monitored by an authority nor are there any specific rules or regulations to mitigate potential risks.

#### **4.4 CROSS-BORDER PAYMENT SETTLEMENT SYSTEMS**

Cross-border payment instructions are normally sent and received through SWIFT and are settled through foreign correspondents. At present 9 banks and financial institutions in the country are SWIFT members and 21 financial institutions are recorded in SWIFT's "participants" category.

Remittances appear not to be very relevant in Belarus. However, the NBRB developed the "Instruction regulating cashless transfers through a private payment systems" N 8/11130 dated 18 June 2004 and approved by the Board of Directors of the NBRB. According to the instruction, remittances can be made only via banks having a license issued by the NBRB and which have an agreement signed with the private payment system.

#### **4.5 PROJECTS AT THE STAGE OF DEVELOPMENT AND IMPLEMENTATION**

The major directions of the national payment system development in the Republic of Belarus have been identified in the *Conceptual Framework of the National Payment System Development in the Republic of Belarus until 2010* that stipulates implementation of a number of measures aimed at raising the AIBSS economic and operational efficiency, identifying the technological capacity for accepting and storing payments with a date different from the current, and expanding the use of electronic payment documents, the formats of which are approximated to the SWIFT message standards.

In order to implement the provisions of the Conceptual Framework in 2006-2007 it is planned to modernize (upgrade) the AIBSS technical platform that in future will allow to process the whole daily volume of payments in the real time regime using full-frame electronic payment documents. Besides, it is planned to expand the use of automated 'Client-Bank' systems that will allow automating the procedure of payment instruction processing at all stages.

## 5 SECURITIES, MARKET STRUCTURE AND TRADING

### 5.1 FORMS OF SECURITIES

In accordance with the civil legislation emissive securities can be issued in one of the following forms:

- Registered securities in documentary form;
- Registered securities in non-documentary form;
- Securities to bearer in documentary form.

Documentary securities is such a form of securities, when the owner is determined on the basis of his presenting a properly arranged security or in case of securities rights accounting in the depository – based on DEPO account records.

Non-documentary or dematerialized securities are such a form of securities when the owner is determined on the basis of DEPO account records in the depository.<sup>11</sup>

The securities form chosen by the issuer must be defined in his founding documents and/or in the Decision on securities issue and securities issue prospectus.

Ninety-nine percent of all securities traded in the financial markets of Belarus are held in dematerialized form, and all transfers are handled by electronic book entries. In particular, all government and NBRB securities are dematerialized. The remaining one percent is represented by securities in documentary form.

### 5.2 TYPES OF SECURITIES

Presently the following types of securities can be identified in the stock market of the Republic of Belarus:

- Common shares: these securities fix the right of the security owner to a share of the issuer's profits in the form of dividends, and in case of the issuer's liquidation to get part of his assets after other creditors are repaid. Some shares also allow the holder to participate in management decisions of the issuing company.
- Preferred shares: a share security that gives its owner the right to get dividend in the form of fixed revenue, the right to a share of property in case of the company liquidation.
- Debt securities: the issuer is liable for repaying within the specified period the face value (and interest) in cash form or in the form of other property. Debt securities do not provide the owner with the right to participate in management decisions of the issuing company. The most common debt securities in Belarus include:
  - convertible bonds – a debt security that can be transformed into securities of another type;
  - non-convertible bonds – a debt security that cannot be transformed into securities of another type;
  - promissory notes – a written unconditional obligation of the note issuer to pay out a certain amount of money to the person specified in the note or to the person specified by means of an endorsement within a specified term or on demand;
  - bill of exchange – a written unconditional offer of the bill issuer to the person, in whose name the bill is issued, to pay out a certain amount of money to the bill bearer specified

---

<sup>11</sup> Instruction on Procedure for Depository Operations with Name Securities approved by Order of the State Committee on Securities of the Republic of Belarus #29/II dated December 9, 1999.

in it or to another person specified by means of endorsement within a specified term or on demand.

- Derivative securities: securities whose value is linked to the value of underlying shares or debt securities, other financial instruments, indexes, or rights thereto.

### **5.3 SECURITIES IDENTIFICATION CODE**

The Securities Committee is Belarus' numbering agency for corporate securities. International ISIN codes are used. In the case of government securities, codes are assigned by the MOF. The latter are not ISIN-compliant.

In accordance with the Law #280-3 dated July 9, 1999 *On Depository Activity and Central Depository for Securities in the Republic of Belarus* the identification code of securities is a letter-and-digit code formed on the basis of international, republican or sector standards, which identifies the securities issue, is used to carry out depository activity and is assigned by the central depository.

The issue code consists of two letters (BY) and ten digits (e.g. BY1234100357), where the first digit stands for the oblast code, the next three digits – the rayon [district] code, the next two digits – the serial number of the issue, and the last four digits – the settlement code.

### **5.4 TRANSFER OF OWNERSHIP**

In accordance with the civil legislation of the Republic of Belarus the rights certified by a security may belong to:

- the security bearer (bearer securities); in order to surrender the rights certified by a bearer security to another person it is enough to give the security to the person.
- the person specified in the security (registered securities); the rights certified by a registered security are transferred following the procedure established for surrender of claims. The person transferring the right associated with a security is liable for invalidity of the corresponding claim, but not for its non-execution.
- the person specified in the security, which can execute the rights himself or appoint by one's instruction (order) another authorized person (order security); the rights to an order security are transferred by means of an endorsement. The endorser is responsible not only for existence of the right, but also for its realization.

Endorsement made on a security transfers all the rights certified by the security to the person to whom or on whose order the rights to security are transferred – the endorsee. The endorsement can be blank (without mentioning of the person to whom the execution should be made) or “to the order” (with mentioning the person to whom or on whose order the execution should be made).

Endorsement can be limited only by an instruction to execute the rights certified by the security without transfer of the rights to the endorsee (reassigned endorsement). In this case the endorsee acts as nominee.

If securities circulate in the form of account records, the securities holder can realize his property rights vis-à-vis the issuer through specialized organizations, which store, account for, and make settlements for operations with securities, i.e. through securities depositories. Transfer of securities from one holder to another is reflected as a change in relevant accounting records. In accordance with the current legislation operations associated with transfer of securities ownership right must be reflected in the depository's accounts.

The depository is responsible for correct and timely reflection in depository accounts of securities ownership transfers, encumbrance of securities with liabilities in accordance with the introduced depositor or operator of the document DEPO account that form the basis for making depository operations in accordance with the legislation of the Republic of Belarus.

## **5.5 PLEDGE OF SECURITIES AS COLLATERAL**

Based on the essence of pledge as a means of securing liabilities, when securities are pledged, no securities ownership rights are transferred from one person to another. At the same time it is possible that ownership rights are transferred to another person if the liability secured with the pledge is not met.

Unless otherwise stipulated by the parties' agreement, while a share is pledged, the depositor (securities holder) who is the owner of shares that authorize him to participate in company management can still participate in the decision-making of the relevant company following the procedure fixed in its founding documents.

In accordance with the current legislation (Civil Code of the Republic of Belarus, Law of the Republic of Belarus *On Pledge* dated November 24, 1993) securities are pledged by signing a written agreement between the pawnbroker and the owner of the securities while the securities are given to the pawnbroker.

Unless otherwise stipulated in the legislation or contract, certificates of interest, dividends or other incomes from the right specified in the securities are an object of the pledge agreement only if the certificates are transferred to the pawnbroker.

The pawnbroker must fully cover the depositor's losses caused by loss, shortage, or damage of the object of pledge, if it is stipulated by legislative acts or contract.

In the Republic of Belarus share pledge contracts are registered in the Republican CSD.

## **5.6 TREATMENT OF LOST, STOLEN, AND DESTROYED SECURITIES**

In accordance with Article 149 of the Civil Code of the Republic of Belarus rights to lost bearer securities or order securities are restored by court following the procedure stipulated by the procedural legislation.

In accordance with the *Regulation on the procedure for prohibition or suspension of securities issue* approved by Order of the State Committee on Securities of the Republic of Belarus #27/П dated November 16, 1999, cancelled forms of securities are stored by the issuer for 3 years from the date of annulling and then are subject to destruction.

The destruction of securities is arranged through a Commission consisting of representatives of the issuer and the depository. The representatives' terms of reference must be arranged in accordance with the civil legislation of the Republic of Belarus. An act that is drawn in three copies and must be signed by members of the above-mentioned Commission. The act is approved by the executive body of the issuer and is sealed by the issuer's stamp.

The act must contain the following data:

- composition of the commission on blank securities form destruction with the members' names, and positions;
- the full name of the issuer whose blank securities forms are to be destroyed;
- the name of the body that has adopted decision on prohibiting the securities issue;
- the date when the state registration of the securities issue was annulled;

- the date of the blank securities form destruction;
- the type, category, form of securities, their issue state registration number, the body of the securities issue state registration;
- the total number of destroyed blank securities forms.

One copy of the act is sent to the Securities Committee or its local subdivisions.

One copy of the act is stored by the issuer and the remaining one by the securities depository.

## **5.7 LEGAL MATTERS CONCERNING CUSTODY**

Segregation of securities holdings is done in practice and supported by regulations. Second-tier depositories hold separate accounts for their own securities holdings and for those of their clients. The latter are not identified at the individual level in any of the CSDs but only on the second-tier depositories' internal system.

While the *Law on Depository Activities and Central Securities Depository* includes provisions to transfer the securities from one second-tier depository to another when the former is liquidated, it does not explicitly protect the assets under custody from potential claims by creditors of the failed second-tier depository. This is neither explicitly stated at the level of the law for the case of Central Securities Depositories, although a mitigating factor in this latter case is that both CSDs are state-owned.

In order to reduce custody risk in the current system of double registration of securities ownership (i.e. with a securities depository and with a securities Registrar), starting August 2006 the register of shareholders of all open joint stock companies in Belarus is being set to the Central Securities Depositories.

## **MARKET STRUCTURE AND TRADING SYSTEMS**

### **5.8 PUBLIC OFFERING OF SECURITIES**

The issuance of securities and the procedure for corporate securities state registration are regulated by *Regulation on the Procedure for Securities Issue and Registration on the Territory of the Republic of Belarus #03/П* dated February 12, 2002 approved by the Securities Committee.

In accordance with Article 87 of the Investment Code of the Republic of Belarus #37-3 dated June 22, 2001 the statutory fund announced in the founding documents of a commercial organization with foreign investment in the form of an open joint stock company must be fully formed prior to state registration of such an organization.

Presently, the procedure for the issuance of shares when joint stock companies are founded includes signing an agreement between the founders on creating a joint stock company, forming the statutory fund, founders meeting's approving the charter of the company, issue prospectus, decision on issue of shares, and state registration of the company and shares. Founders can invest into the statutory fund both cash and non-cash resources. Shares of a joint stock company at its creation are distributed between the persons that have signed the joint activity agreement to create the company. Within a month's period after the State registration of the company it is necessary to present to the Securities Committee the documents for registration. Then, the foreign investor needs to additionally obtain at the Securities Committee a certificate on registration of paid-in securities sales outside Belarus.

For the purposes of state registration of the shares of a newly established joint stock company the Securities Committee is provided with an application for share registration signed by the

issuer's manager, decision on share issuing, original charter or its copy verified by a notary public, two copies of the share issue prospectus, a copy of the agreement on joint stock company creation, and a copy of the founding meeting minutes. The fee for share registration equals 0.5 percent of the issue amount. After the documents are considered and a positive decision is adopted the shares are registered in the State securities register and a certificate on share registration and a registered share issue prospectus are issued to the company.

## 5.9 PRIMARY MARKET

### 5.9.1 Government Securities

Government securities include short-term issuances with less than 1 year maturity and long-term securities with more than 1 year maturity. The placement of government securities is mostly performed via auction sales. Until late 2004 these securities were placed through the NBRB. At present, government securities are placed by the MOF through the BSCE. Occasionally, the MOF directly sells its securities to legal entities or transfers/sells these to banks for their further re-sale.

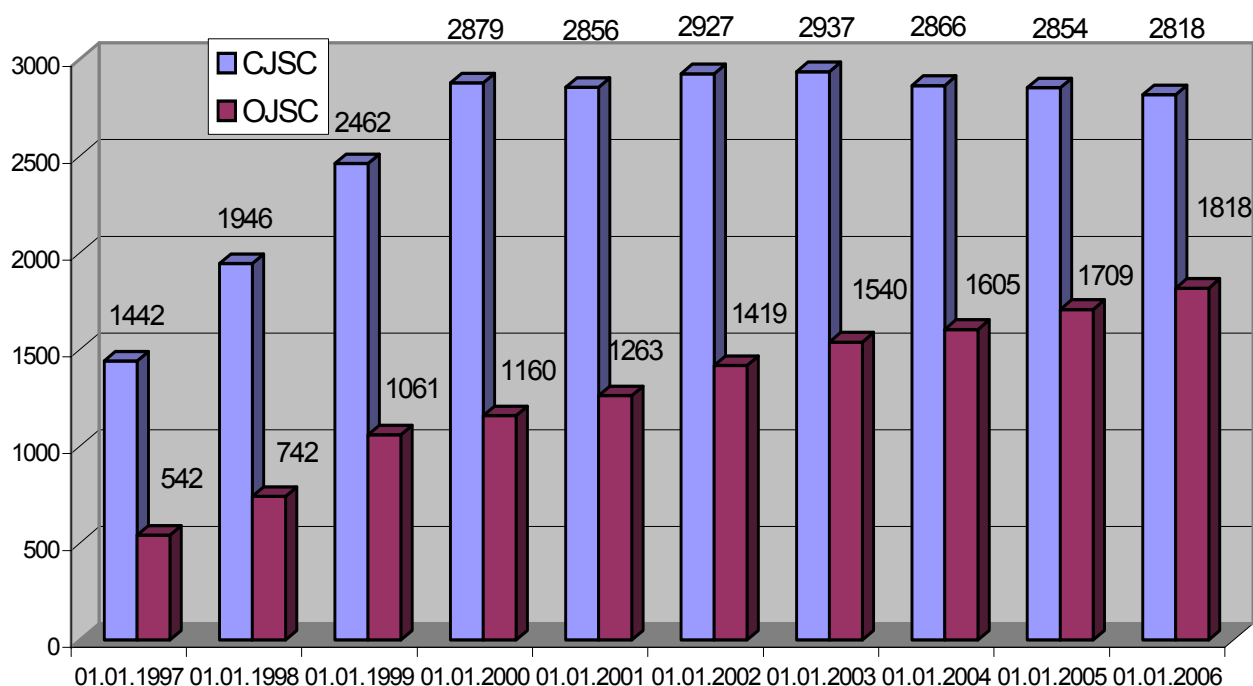
The NBRB also issues short-term (14-day and 28-day) notes. These are placed through regular auctions on Mondays and Wednesdays. NBRB notes can be purchased only by commercial banks.

### 5.9.2 Corporate Securities

The market for corporate shares constitutes over 50% of the primary market structure. As of January 1, 2006 the total volume of the primary market of corporate securities was *BUR* 11.7 trillion. In 2005 the volume of shares and bonds issued by legal entities was over *BUR* 2 trillion.

Changes in the number of joint stock companies registering securities issues in the period 1996-2005 are presented in Figure 2.

**Figure 2: Number of Registered Joint Stock Companies**



Source: BSCE.

The largest share in the total volume of issues is represented by shares of open joint stock companies (OJSC). In 2005, the total volume of OJSC shares constituted *BUR* 2,208.8 billion (97.9% of the total issue volume), and as of January 1, 2006 a total of *BUR* 10,951.2 billion. Supplementary issues accounted for 89.1% of the total OJSC issue, while 10.9% was due to face value change

In 2005, the Securities Committee registered shares of 205 joint stock companies, including 110 open and 95 closed ones. The registration of shares of newly created joint stock companies (JSC) and the value of issued securities including supplementary issues and increases in the face value of previously registered JSC securities are shown in Table 6. As compared to 2004, in spite of a drop in the number of newly registered JSC, the value amount of the shares issued actually increased.

**Table 6: Registration of Newly Created Joint Stock Companies (2004-2005)**

Issuers	2004		2005	
	Number of JSC	Value (BUR Bln.)	Number of JSC	Value (BUR Bln.)
OJSC	191	2,153.9	110	2,208.8
CJSC	105	94.4	95	46.4
<b>Total</b>	<b>296</b>	<b>2,248.3</b>	<b>205</b>	<b>2,255.2</b>

Source: Securities Committee.

**Table 7: Newly Created Open Joint Stock Companies by Oblast**

Oblasts	2004		2005	
	Number of OJSC	Value (BUR Bln.)	Number of OJSC	Value (BUR Bln.)
Brest oblast	57	247.7	27	292.6
Vitebsk oblast	16	145.2	13	111.5
Gomel oblast	30	203.1	13	168.8
Grodno oblast	22	258.2	14	223.7
City of Minsk	18	880.1	17	961.7
Minsk oblast	23	255.8	13	222.4
Mogilev oblast	25	163.8	13	228.1
<b>Total</b>	<b>191</b>	<b>2,153.9</b>	<b>110</b>	<b>2,208.8</b>

Source: Securities Committee.

The major volume of issue among OJSC lies with privatized enterprises (68.9% of the total OJSC issue volume) and banks (25.2% of the total OJSC issue volume).

In 2005, the Securities Committee registered 7 issues of corporate bonds, including 6 issues of the OJSC Savings Bank Belarusbank (3 in *BUR* and 3 in foreign currency, totaling *BUR* 30 billion and *EUR* 2 million, respectively) and 1 issue of bonds by the OJSC Belgasprombank totaling *BUR* 10 billion.

## 5.10 SECONDARY MARKET

In accordance with the legislation of the Republic of Belarus all the activity of securities circulation in the secondary market must be carried out only through professional securities market participants.

Professional securities market participants can include legal entities of any form of ownership carrying out one or several types of activity and having been licensed to operate professionally in the securities market.

Information on the structure of professional market participants' transactions in 2004 and 2005 is presented in Table 8 with a breakdown by types of securities.

**Table 8: Features of Professional Market Participants' transactions (2004 – 2005)**

Name of Indicator	Volume of transactions		Volume of transactions (BUR Bln.)	
	2004	2005	2004	2005
Total transactions, of which, with	173,442	179,625	27,273.6	34,116.5
Corporate securities (shares, bonds, including those of non-residents)	341	1,173	146.9	109.4
Government securities and NBRB securities	103,983	108,590	22,336.6	26,736.2
Promissory notes (including those of non-residents)	29,274	11,831	3,059.4	2,154.2
Deposit certificates	324	2,180	240.2	2,925.7
Securities of own issue	31,906	33,837	1,485.9	2,167.8
Other securities (name privatization vouchers)	7,614	22,014	4.6	23.2

Source: Securities Committee.

In 2005, transactions with shares (96.1% of the total volume of corporate securities transactions and 22.1% of the total value) and bonds of non-residents (1.8% of the total volume of corporate securities transactions and 57.5% of the total value) prevailed in the secondary market. Only 25 transactions with bonds of legal entities were made totaling *BUR* 22.9 billion (54.3% of the total volume of corporate securities transactions and 26.9% of the total value). Professional market participants made 23 transactions with shares of non-residents totaling *BUR* 6.8 billion (2% of the total volume of share transactions and 28.1% of the total value).

In 2005, professional market participants made 106,488 transactions with government securities totaling *BUR* 24.18 trillion. Out of these totals, there were 2,122 transactions with short-term NBRB securities totaling *BUR* 2.6 trillion.

Transactions with bank promissory notes prevailed in the structure of transactions with promissory notes (95.5% of the total volume of transactions with bonds and 86.4% of the total value). In 2005, there were a total 457 transactions with promissory notes of legal entities excluding banks for a total of *BUR* 148.1 billion, 72 transactions with non-resident promissory notes *BUR* 92.3 billions and 4 transactions with other promissory notes for *BUR* 1.9 billion.

## 5.11 STOCK EXCHANGE TRADING

Trading sessions are conducted on the trading floor of the BSCE or remotely through an automated trading system. In the case of government securities and NBRB notes, orders

submitted to the BSCE trading system are matched and confirmed automatically as long as the buyer has previously blocked sufficient funds for trading in his correspondent account with the NBRB, and as long as the seller has blocked sufficient securities in its account (i.e. securities under “blocked-for-trading” status).

In the case of corporate securities, at present in order for these securities to be traded in the BSCE the seller must transfer them in advance of the trade to the DEPO account of the BSCE at the Republican CSD. All settlement of the secondary market for corporate securities are settled through this account, although the intention is that in the future the transactions will be settled directly with the Republican CSD. Also, the buyer must have deposited the necessary funds with one of the participants of the BISS, which maintains these funds segregated so that these can be identified by the trading system. One these conditions have been met, the trading can take place and it is automatically matched and confirmed.

## **5.12 OVER THE COUNTER MARKET (OTC)**

The OTC market in Belarus is mainly represented by trading in non-government securities. For these purposes, the information Belarusian Quotation Automated System (BEQAS) was created. The BEQAS represents the only comprehensive source of information on the situation of the OTC market. This system registers all OTC transactions in shares. Within 7 days, this information is contained in the BEQAS system, which allows a seller to conclude a transaction on most favorable conditions.

As of January 1, 2006 there were 142 users registered in the system, of which 78 legal entities, 63 individuals, and 1 individual proprietor.

In 2005 there were a total of 7,456 transactions for a total amount of *BUR* 27.32 billion. The OTC market turnover in terms of number of shares was 273,439,041 shares.

## **5.13 RECENT TRENDS IN THE MARKET**

In accordance with the Action Plan of the Securities Committees as well as with the draft Program for Securities Market Development for 2006-2008, the main directions of securities market development for the near-term outlook are defined as:

- Streamlining the legislation on securities, including reducing the number of normative legal acts.
- Improvement of legislation on depository activities.
- Widening the spectrum of securities market instruments.
- Preparing the regulatory framework for issuing and circulating commercial paper, mortgage-backed bonds and mortgages, and also activation of trade in futures.
- Clarifying and simplifying the registration procedures and securities circulation;
- Implementation of measures to improve the activities of the Republican CSD. These measures stipulate the necessity to implement the plan to transfer all settlement functions related to corporate securities to the Republican CSD, and tighten the requirements for second-tier depositories.

Additional measures to activate the securities market in the part of improving the system of taxation of incomes gained from operations with securities, creating conditions for corporate bonds market development, information and analytical provision for securities market participants.

## 6 SECURITIES CLEARANCE AND SETTLEMENT SYSTEMS

### 6.1 ORGANIZATIONS AND INSTITUTIONS

#### 6.1.1 Belarusian Securities and Currency Exchange (BSCE)

The Belarusian Securities and Currency Exchange (BSCE) is the only organized exchange in the country. The first foreign currency trade was held in 1993 when it was called Interbank Stock Exchange, and the first government securities trades were held in 1998 when it became the BSCE. In 2000, the Belarusian Quotation Automated System (BEQAS) was introduced to service the over-the-counter (OTC) market.

At present, the BSCE participates as a trade organizer in the following market segments: currency, government securities, NBRB securities, corporate securities, municipal loan bonds, exchange market bills.

The BSCE operates the securities settlement system for all types of securities traded at the stock exchange, and acts as a depository for corporate securities and municipal bonds.

#### 6.1.2 Securities Depositories

The NBRB acts as a Central Depository for government and NBRB securities. The NBRB CSD holds DEPO accounts for professional market participants (4) and for second-tier depositories (15). It also holds a DEPO account for the Ministry of Finance and one for the NBRB itself.

All the costs for the development of the NBRB CSD were paid by the NBRB and the latter is its sole owner. In practice, the NBRB CSD functions as a department of the NBRB.

The Republican CSD is a state-owned entity that reports to the Securities Committee. The Republican CSD acts as a custodian and depository for corporate securities. The Republican CSD holds DEPO accounts for 40 second-tier depositories of corporate securities and one DEPO account for the BSCE. In practice, the Republican CSD operates as a subdivision of the Securities Committee, and the latter has delegated *de facto* some of its responsibilities to the former.

A Decree has been drafted in relation with the merger of the two existing CSDs into the Republican CSD. This is being promoted mainly by the MOF. The alleged purpose of the MOF is to expand the range of investors for government securities.

**Table 9: Securities Depository Activity (2003-2005)**

<i>Name of indicator</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Number of issuers serviced by the Depositories	1,932	2,773	2,838
Growth (decline) compared to previous period, %	n.a.	43.5	2.3
Number of serviced DEPO accounts	1,044,096	1,282,873	1,259,575
Growth (decline) compared to previous period, %	n.a.	22.9	(1.8)
Number of issuers whose shares are in trust management	73	55	78
Number of securities in trust management	n.a.	9,630,941	10,159,249

Sources: Securities Committee, NBRB.

## **6.2 SECURITIES CLEARANCE AND SETTLEMENT PROCESS**

Government securities include short-term issuances with less than 1 year maturity and long-term securities with more than 1 year maturity. The placement of government securities is mostly performed via auction sales. Until late 2004 these securities were placed through the NBRB. At present, government securities are placed by the MOF through the BSCE. In order to bid for government securities, participants must pre-fund the relevant amounts in the accounts of commercial banks at the NBRB. Occasionally, the MOF directly sells its securities to legal entities or transfers/sells these to banks for their further re-sale.

The NBRB also issues short-term (14-day and 28-day) notes. These are placed through regular auctions on Mondays and Wednesdays. NBRB notes can be purchased only by commercial banks.

Once the securities have been allotted, these are deposited in the participants' DEPO accounts at the NBRB Depository. NBRB securities are also deposited in the NBRB Securities Depository, and both government and NBRB securities are traded in the secondary market at the BSCE and (to a lesser extent) in the OTC market.

The BSCE operates the securities settlement system. For this purpose, it has developed an electronic interface with the NBRB Securities Depository and the BISS; there is an electronic flow of messages between all these entities/systems and no manual intervention is required at any step.

In the case of shares and corporate bonds, these are deposited with the Republican CSD. The stock exchange also operates the securities settlement system for shares and corporate bonds. Trading information from the stock exchange flows to the Republican CSD for the settlement purposes of securities trades.

All transactions in the secondary market (i.e. with government securities, NBRB notes, shares and corporate bonds) are settled on T. As a general rule, all transactions are settled within 30-50 minutes after the start of the trading session, though 2 hours are envisaged in the protocol. However, participants can agree, at the moment a deal is closed, on settling a transaction at a later date.

Secondary market transactions with government securities and NBRB notes at the BSCE can be held from 9:30 a.m. to 3:45 p.m., although three discrete trading intervals can be identified. The trading interval for other types of securities is from 10:30 a.m. to 12:20 p.m.

### **6.2.1 Management of Settlement Risks**

Trades are settled following the BIS Delivery Versus Payment (DvP) model 3.<sup>12</sup> Settlement risks are managed by means of pre-funding of both securities and cash. All cash positions are settled through the correspondent accounts commercial banks hold at the NBRB.

At the NBRB CSD, there is a sub-account called "securities blocked for trading", in which the seller must deposit the securities intended for trading. As not all banks have a DEPO account with the NBRB CSD, in some cases the securities blocked for trading include securities to be traded on behalf of the second-tier depository and securities to be traded by one or more of its clients. In the case of corporate securities, the seller must transfer the securities in advance from its DEPO account with the Republican CSD to the DEPO account of the BSCE.

---

<sup>12</sup> "Delivery versus Payment in Securities Settlement Systems", Committee on Payment and Settlement Systems of the Central Banks of the Group of Ten Countries of the Bank for International Settlements, September 1992.

As for the cash, each bank has to reserve within its correspondent account the amount it intends to use for trading activities. These amount typically includes: i) trades on its own behalf; ii) trades carried by the bank on behalf of third parties; and, iii) trades to be carried out directly by other professional market participants that do not have a correspondent account with the NBRB but have to settle through banks. In practice, the relevant amount is earmarked and segregated according to the nature or origin of the trading party.

In the case of government and NBRB securities, once the trading session is over the BSCE calculates net positions for both the securities and the cash and informs the NBRB CSD, and the BISS. The previously deposited funds and securities are transferred from the earmarked or blocked sub-account at the NBRB to transit accounts managed by the BSCE where the relevant postings are made and the information is sent back to the NBRB.

After the settlement process is over, the buyer must specify that it does not intend to trade these securities in the near future so that these securities can be moved from “blocked” to “own holdings” status.

In case there is a surplus of cash in the earmarked account, this is automatically returned to the main correspondent account of the relevant participant.

## **6.2.2 Management of Operational Risks**

In the case of the NBRB CSD, operational risk management and business continuity planning is handled by the NBRB’s IT Security Department. For this reason, the arrangements and procedures resemble those of the BISS. Business continuity measures include a hardware and software backup, contingency plan for business continuity and recovery procedures and data storage and warehousing. At present, a fully operational secondary processing site is already in place. In case of a drastic failure of telecommunications, a manual procedure is in place; participants can bring hard copy orders to the NBRB for processing. Business continuity planning has been developed in cooperation with system participant and has been tested.

The BSCE operates with two servers, one of which is located in the building of the BSCE and another at the NBRB. These do not operate on hot standby mode, although there are plans to introduce real-time mirroring by the end of 2006. Moreover, the BSCE has its own alternative power supply and dedicated (optic fiber) telecommunications channels.

In the case of the Republican CSD, the only arrangements are daily data replication (twice a day), and a service level agreement with the provider of IT services through which the latter is obliged to replace the main server in three hours or less in case of a breakdown.

## **6.2.3 Pricing**

The NBRB CSD makes the following charges:

- Account opening fees and maintenance costs are charged to professional market participants. These charges are waived for second-tier depositories.
- For each message sent by any accountholder, there is a charge of approximately US\$ 0.30.

In the case of the Republican CSD, the charges are:

- There is a minimum monthly fee equivalent to US\$ 35 regardless of the level of activity.
- The tariff per transaction is approximately US\$ 0.75. The minimum monthly fee is credited to the amount an accountholder must pay as a result of its activities.

### **6.3 GUARANTEE SCHEMES**

At present, settlement risks in the securities settlement systems are managed through the pre-funding of both securities and cash positions. Therefore, under the existing conditions a guarantee fund is not needed to reduce or eliminate principal risk.

### **6.4 SECURITIES LENDING**

The BSCE does not have an automated securities lending facility or other similar mechanisms thereof. At present, the full pre-funding requirement of both securities and cash makes such a mechanism unnecessary.

### **6.5 INTERNATIONAL LINKS AMONG CLEARANCE AND SETTLEMENT INSTITUTIONS**

At present, the two central securities depositories in Belarus do not hold accounts with foreign CSDs, nor do foreign CSDs hold an account with local depositories. However, the NBRB CSD is under negotiations with one of the CSDs of the Russian Federation to open an account.

Foreign investors can open securities accounts only with second-tier depositories (i.e. custodians).

## **7 THE ROLE OF THE CENTRAL BANK IN CLEARANCE AND SETTLEMENT SYSTEMS**

### **7.1 SETTLEMENT**

Correspondent accounts at the NBRB are the principal means through which large-value payments are transferred between financial intermediaries and other account holders at the NBRB. The NBRB is the AIBSS owner and operator, with responsibility to improve the organizational and legal framework of the payment system.

Participants have access to several sources of funds to manage their intraday liquidity. These include their reserve holdings with the NBRB, overnight credit facilities, and Lombard credit. BISS rules allow participants to use their reserves during the operating day, subject to certain limits set by the NBRB.

Since March 1, 2005, banks have been required to reserve 5 percent of individual's deposits, 9 percent of corporate deposits in national currency, and 9 percent of the deposits denominated in foreign currency.

### **7.2 PAYMENTS SYSTEM OVERSIGHT**

Articles 25 and 30 of the Banking Code of the Republic of Belarus describe the main objectives of the NBRB. According to article 30 of the Banking Code, the NBRB identifies the major directions for payment system development, establishes the rules, forms, terms, and sets the standards for non-cash and cash settlements in the Republic of Belarus, as well as the liability for violating them. One interpretation of this law is that the NBRB has full freedom to act and apply tools when undertaking its oversight function.

These articles are considered to be the legal foundation for the oversight function, which is currently conducted on an informal and *ad hoc* basis. In addition, an Amendment to the Banking Code of the Republic of Belarus has been discussed in the lower house of parliament, which would include a clarification of the oversight and supervisory functions of the NBRB.

The structure, roles, and responsibilities of different NBRB units involved in payment systems management and control are defined by the Board of Directors of the NBRB.

The detailed objectives and scope of oversight have been defined and included in a draft Conceptual Framework of Payment System Oversight in the Republic of Belarus (hereinafter the "Oversight Conceptual Framework"). This draft follows the principles for effective oversight outlined in the CPSS Report on Central Bank Oversight of Payment and Settlement Systems. It outlines the general objectives, principles, methodology, standards, and scope of oversight activities of the NBRB. According to the draft Oversight Conceptual Framework, the NBRB plans to rely on CPSS standards, including in particular the Core Principles for Systemically Important Payment Systems, in overseeing payments and securities settlement systems.

At the domestic level, NBRB cooperates with other authorities, the Commercial Banks Association and non-bank institutions involved in the payment and securities settlement systems. The NBRB consults system participants for advice on major changes in the design and operation of the systems, and the NBRB senior management meet on a regular basis with the banking community to discuss issues related to payment systems development. Ad-hoc working groups on specific payment-related topics are formed with the participation of experts from the central bank and commercial banks.

In order to inform the international community about the trends in the national payment system development in the Republic of Belarus, in September 2001 the NBRB, jointly with the CPSS, prepared and published *The Payment System in the Republic of Belarus* (so-called “Red Book”).

Information on the performance of the BISS and the development of payment instruments in the country is included in the annual report of the NBRB, which is published on its website. Apart from that, the NBRB has published its “Concept for the development of payment systems until 2010”, and provides statistical information related to payment systems.

### **7.3 MONETARY POLICY AND PAYMENT SYSTEMS**

See Chapter 2.5.1

### **7.4 THE ROLE OF THE CENTRAL BANK IN CROSS-BORDER PAYMENTS**

The NBRB takes an active role in creating a single payment-and-settlement system within the framework of interstate formations such as the Commonwealth of Independent states (CIS) and the Eurasian Economic Commonwealth (EAEC).

According to the principles of building a common settlement system for the CIS countries, including the EAEC member-countries, the Interstate Bank in Moscow has been identified as the settlement bank for settlements in national currencies of countries participating in the common payment system (relevant agreements have been signed by all central banks of participant-countries). For the purposes of making settlements in national currencies, the Interstate Bank has been granted access to all payment systems of the aforementioned countries and has opened correspondent accounts in the relevant national (central) banks, including the NBRB.

### **7.5 PRICING POLICY**

In general, the pricing policy of the NBRB mainly aims to cover operational and communication costs. The settlement centre, which is part of the NBRB, bears the major development costs for the system. Banks are required to cover only the costs of putting in place technical and communication systems.

The basic tariff in the BISS is BUR 418, which is multiplied by an increasing coefficient depending on the time of the day in which the payment instruction is received by the system. The basic tariff in the CS is BUR 137, which is also multiplied by an increasing coefficient depending on the time payment has been submitted to the CS (for further details see Chapter 4).

## **8 SUPERVISION OF SECURITIES CLEARANCE AND SETTLEMENT SYSTEMS**

### **8.1 SECURITIES REGULATOR SUPERVISORY AND STATUTORY RESPONSIBILITIES**

The Securities Committee has authority to propose legislation on securities and to bring sanction for its infringement. It also performs functions of regulating the securities market and monitors sales of securities of Belarusian issuers on international securities markets and issuers of other countries on the Belarusian securities market.

In compliance with the Regulation on the Committee on Securities under the Council of Ministers of the Republic of Belarus, approved by the Resolution of the Council of Ministers of the Republic of Belarus of October 31, 2001, #1593, the main tasks of the Securities Committee are:

- state regulation of the securities market, control and oversight over securities issue and circulation, as well as over professional activities on the securities market;
- registration of securities issue;
- licensing professional activities in the securities market.

The specific tasks of the Securities Committee include:

- establishing rules of issue and registration of shares and bonds (except government and National Bank's securities);
- determining the procedure for registration of promissory notes issued by commercial organizations (except banks) and individual proprietors;
- performing state registration of shares and bonds;
- keeping state registers of shares and bonds;
- determining requirements for the contents of the issue prospectus for shares and bonds;
- determining the procedure for the purchase of large share holdings of open joint stock companies;
- determining the procedure for conducting transactions in securities circulation when a professional securities market participant is involved;
- determining the procedure for securities ownership registration, and single standards of holding and record-keeping of depository operations;
- performing licensing of professional and stock exchange activities on the securities market, including determining the procedure for granting, suspending and revoking licenses;
- determining the procedure for performing different types of professional activities;
- setting capital adequacy requirements to professional participants of the securities market and qualification requirements to their managers and employees;
- setting single rules for concluding and conducting transactions in securities, keeping records and reporting on operations with them;
- determining the composition and procedure for presenting and publishing reports or other information, set by legislation;
- controlling the issue and circulation of shares and bonds, as well as the circulation of name privatization vouchers of the Republic of Belarus;
- overseeing activities of professional participants of the securities and stock exchange market;
- setting, within its competence, the required ratio for the issuer's indebtedness on issued bonds to the total cost of its fixed and working capital;
- registering agreements on shares and bonds pledges;
- controlling operations with promissory notes;

- other functions in accordance with the law.

## **8.2 REGULATORY AND STATUTORY RESPONSIBILITIES OF SELF-REGULATORY ORGANIZATIONS**

The BSCE and first-tier or Central Securities depositories are considered SROs in Belarus. The Securities Committee has delegated to the Republican CSD the supervision of some specific activities and aspects.

The activities of the Republican CDS allow it to conduct and control all inter-depository transfers, obtain daily updated information on balances on correspondent accounts of all regional depositories of the country, and control volumes of issue and actual number of securities in free circulation. The Republican CSD provides for safe functioning of the depository system, generates and keeps and promptly updates manuals on issues of securities, issuers, depositories etc.

In accordance with Article 30 of the Law of the Republic of Belarus of March 12, 1992 *On Securities and the Stock Exchanges*, the central body that monitors and oversees the securities market appoints the state stock exchange inspector as a representative on the Stock Exchange. The state stock exchange inspector is authorized to control compliance with the legislation concerning the stock exchange in the process of stock exchange activities.

## APPENDIX: STATISTICAL TABLES

Series A tables are statistics on payments and securities clearance and settlement in the Republic of Belarus and were completed following a standard model prepared in the context of the CISPI. They slightly differ from the model due to data availability constraints. Series B tables are more general statistics of the country's financial system.

### SERIES A

#### *Payments and Securities Clearance and Settlement Statistics*

Table A1: Basic Statistical Data .....	44
Table A2: Settlement Media used by Non-Banks.....	44
Table A3: Settlement Media Used by Credit/Deposit Taking Institutions .....	45
Table A4: Institutional Framework.....	45
Table A5: Bank Notes and Coins.....	46
Table A6: Cash dispensers, ATMs and EFTPOS Terminals.....	46
Table A7: Number of Payment Cards in circulation .....	47
Table A8: Indicators of Use of Various Cashless Payment Instruments.....	47
Table A9: Indicators of Use of Various Cashless Payment Instruments.....	47
Table A-10: Payment Instructions Handled by Selected Interbank Transfer Systems.....	48
Table A-11: Payment Instructions Handled by Selected Interbank Transfer Systems.....	48
Table A12: Securities and Accounts Registered in Central Securities Depositories.....	48
Table A13: Securities Holdings in Central Securities Depositories .....	49
Table A14: Transfer Instructions Handled by Securities Settlement Systems .....	49
Table A15: Transfer Instructions Handled by Securities Settlement Systems .....	49
Table A16: Participation in SWIFT by Domestic Institutions.....	50
Table A17: SWIFT Message Flows To/From Domestic Users.....	50

### SERIES B

#### *General Financial System Statistics*

Table B1: Number of Financial Entities .....	51
Table B2: Banking Sector Assets .....	51
Table B3: Deposits.....	51
Table B4: Equity.....	52
Table B5: Loans.....	52

**Table A1: Basic Statistical Data\***

	2001	2002	2003	2004	2005
Population (in millions)	10.0	9.9	9.9	9.8	9.8
GDP (US\$ million)	10,869	13,614	16,960	23,038	29,591
GDP per Capita (US\$)	1,087	1,375	1,713	2,351	3,020
Exchange rate BUR vs. US\$					
<i>Year end</i>	1,580.0	1,920.0	2,156.0	2,170.0	2,152.0
<i>Average</i>	1,378.16	1,781.54	2,050.67	2,160.24	2,153.81

Source: NBRB.

**Table A2: Settlement Media used by Non-Banks**  
(in BUR billion)

	2001	2002	2003	2004	2005
Total notes and coins issued	512.2	650.0	926.4	1,339.4	2,016.4
Transferable deposits in domestic currency	377.4	609.1	1,076.1	1,771.9	2,929.4
<i>Individuals</i>	74.3	130.5	250.7	526.4	938.2
<i>Non-banking legal entities</i>	303.1	478.6	825.4	1,245.5	1,991.2
<i>Time deposits</i>	321.5	644.1	1,192.8	2,177.0	3,520.0
Narrow money supply M1	889.6	1,259.1	2,002.5	3,111.4	4,945.8
Transferable deposits in foreign currency	746.9	1,050.2	1,380.2	1,524.8	1,860.3
<i>Individuals</i>	30.0	61.4	96.1	110.7	113.0
<i>Non-banking legal entities</i>	716.9	988.8	1,284.1	1,414.1	1,747.3
Time deposits in foreign currency	606.5	873.1	1,324.7	1,901.2	2,091.7
Money aggregate M2	1,249.0	1,993.0	3,408.3	5,388.3	8,594.9
Money aggregate M3	2,610.2	3,926.6	6,132.3	8,839.0	12,571.0

Source: NBRB.

\* The following conventions for notation are used in all Tables throughout the Appendix: "n.a." indicates data that are not available; "... " stands for data that are not applicable; "neg" indicates where data are very small relative to other relevant data in the table concerned.

**Table A3: Settlement Media Used by Credit/Deposit Taking Institutions**  
(in BUR billion)

	2001	2002	2003	2004	2005
Required reserves at the Central Bank	233.9	290.0	439.6	639.3	807.6
<i>In domestic currency</i>	120.3	217.1	428.2	639.3	807.6
<i>In foreign currency</i>	113.6	72.9	11.4	...	...
<i>Of which usable for settlement</i>					
<i>In domestic currency</i>	n.a.	n.a.	n.a.	n.a.	n.a.
<i>In foreign currency</i>	n.a.	n.a.	n.a.	n.a.	n.a.
Excess reserves at the Central Bank:					
<i>In domestic currency</i>	45.8	84.9	287.5	301.8	1,078.8
<i>In foreign currency</i>	51.7	90.1	32.5	112.9	255.5
Institutions' borrowing from the Central Bank*	2.1	1.3	0.8	0.6	0.9
Transferable deposits at other institutions	n.a.	n.a.	n.a.	n.a.	n.a.

\* Excludes REPO operations.

Source: the NBRB.

**Table A4: Institutional Framework**

	<i>Number of Institutions</i>	<i>Number of branches</i>
Central Bank	1	n.a.
Commercial Banks	30	440
<i>Of which</i>		
<i>State-owned banks</i>	4	351
<i>Foreign banks</i>	26	89
Non-bank financial institutions	n.a.	n.a.
Postal Office "Belpochta"	1	n.a.

Source: NBRB.

**Table A5: Bank Notes and Coins**  
(in BUR million)

	2004	2005	2006
Total currency issued	926,439.4	1,339,437.4	2,016,411.0
Total banknotes issued	926,439.4	1,339,437.4	2,016,411.0
<i>of which, in denominations of:</i>			
1	92.7	...	...
5	370.6	267.9	...
10	555.9	803.7	806.6
20	648.5	937.6	1,209.9
50	1,852.9	2,143.1	2,419.7
100	3,798.4	4,152.3	4,637.8
500	9,449.7	9,376.1	10,687.0
1,000	38,539.9	34,423.5	31,859.9
5,000	126,273.7	105,145.8	102,635.3
10,000	262,645.55	281,549.73	260,721.94
20,000	311,468.9	470,812.23	545,842.0
50,000	170,742.77	429,825.45	941,059.0
100,000			114,532.0
Coins issued	...	...	...
Notes and coins circulating outside banks	n.a.	n.a.	n.a.

Source: NBRB.

**Table A6: Cash dispensers, ATMs and EFTPOS Terminals**

	2001	2002	2003	2004	2005
Cash dispensers and ATMs					
Number of networks	n.a.	n.a.	n.a.	n.a.	n.a.
Number of cash dispensers	881	892	1,347	1,656	1,800
Number of ATMs	182	319	503	887	961
Volume of transactions (in thousands)					
<i>In foreign currency</i>	139	159	188	454	266
<i>In local currency</i>	n.a.	9,580	23,980	58,317	42,604
Value of transactions					
<i>In foreign currency (US\$ million)</i>	30.6	32.5	60.2	112.8	59.4
<i>In local currency (BUR billion)</i>	177.9	621.5	1,793.8	5,513.6	3,408.2
EFTPOS					
Number of networks	n.a.	n.a.	n.a.	n.a.	n.a.
Number of terminals	n.a.	n.a.	4,503	6,488	7,566

Source: NBRB.

**Table A7: Number of Payment Cards in Circulation**

	2001	2002	2003	2004	2005
Cards with a cash function	n.a.	n.a.	n.a.	n.a.	n.a.
Cards with a debit/credit function	196,346	496,787	1,142,763	2,197,397	3,189,606
Cards with a cheque-guarantee function	...	...	...	...	...
Retailer and fidelity cards	n.a.	n.a.	n.a.	n.a.	n.a.
Stored-value cards	n.a.	n.a.	n.a.	n.a.	n.a.

Source: NBRB.

**Table A8: Indicators of Use of Various Cashless Payment Instruments**  
(volume of transactions, in thousands)

	2001	2002	2003	2004	2005
Cheques	n.a.	n.a.	n.a.	n.a.	n.a.
Payments with cards	n.a.	n.a.	n.a.	n.a.	n.a.
Paperless credit transfers	30,156	29,811	33,761	39,613	43,763
<i>Customer initiated</i>	29,963	29,638	33,567	39,407	43,590
<i>Inter-bank/large value</i>	193	173	193.4	206	173

Source: NBRB.

**Table A9: Indicators of Use of Various Cashless Payment Instruments**  
(value of transactions, in BUR million)

	2001	2002	2003	2004	2005
Checks issued	n.a.	n.a.	n.a.	n.a.	n.a.
Payments with cards	n.a.	n.a.	n.a.	n.a.	n.a.
Paperless credit transfers	65,038	95,709	140,753	241,400	325,533
<i>Customer initiated</i>	42,449	58,744	85,208	135,335	197,014
<i>Inter-bank/large value</i>	22,589	36,965	55,545	106,065	128,519

Source: NBRB.

**Table A-10: Payment Instructions Handled by Selected Interbank Transfer Systems**  
(volume of transactions, in thousands)

	2001	2002	2003	2004	2005
Low value system (CS)					
<i>In domestic currency</i>	27,382.7	27,294.7	30,375.8	35,930.0	39,425.1
Large value system (BISS)					
<i>In domestic currency</i>	2,772.6	2,515.6	3,385	3,682.4	4,337.8

Source: NBRB.

**Table A-11: Payment Instructions Handled by Selected Interbank Transfer Systems**  
(value of transactions, in BUR million)

	2001	2002	2003	2004	2005
Low value system (CS)					
<i>In domestic currency</i>	6,558.1	9,438.6	11,744.2	18,070	22,040.3
Large value system (BISS)					
<i>In domestic currency</i>	58,479.6	86,270.4	129,008.6	223,330.2	303,492.3

Source: NBRB.

**Table A12: Securities and Accounts Registered in Central Securities Depositories**

	2001	2002	2003	2004	2005
Number of securities registered					
<i>NBRB CSD</i>	132	181	309	135	187
<i>Republican CSD</i>	1,622	2,241	2,580	2,940	3,548
Number of participants					
<i>NBRB CSD</i>	17	17	16	14	15
<i>Republican CSD</i>	60	55	57	54	54
Number of accounts					
<i>NBRB CSD</i>	25	24	24	23	26
<i>Republican CSD</i>	60	55	57	54	54
Number of foreign investors	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: NBRB CSD and Republican CSD.

**Table A13: Securities Holdings in Central Securities Depositories**  
(in BUR million)

	2001	2002	2003	2004	2005
Government Securities	31,333.1	31,805.7	31,807.5	31,809.6	31,815.2
Corporate Bonds	55.5	48.0	0.046	0.0014	0.022
Corporate Shares	119,245.6	155,478.1	370,362.1	317,993.0	485,014.2
Others	n.a.	n.a.	n.a.	n.a.	n.a.

Source: NBRB CSD.

**Table A14: Transfer Instructions Handled by Securities Settlement Systems**  
(volume of transactions)

	2001	2002	2003	2004	2005
Government Securities	79,123	84,128	127,884	145,899	108,371
Corporate Bonds	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate Shares	n.a.	n.a.	n.a.	n.a.	n.a.
Others	n.a.	n.a.	n.a.	n.a.	n.a.

Source: NBRB CSD and BSCE.

**Table A15: Transfer Instructions Handled by Securities Settlement Systems**  
(value of transactions, in BUR million)

	2001	2002	2003	2004	2005
Government Securities	2,911,361	5,581,733	7,622,398	10,860,168	12,319,329
Corporate Bonds	90	806	11,963	185	3,004
Corporate Shares	13,877	1,260.3	1,721.3	0	18,891
Others	n.a.	n.a.	n.a.	n.a.	n.a.

Source: NBRB CSD.

**Table A16: Participation in SWIFT by Domestic Institutions**

	2001	2002	2003	2004	2005
Domestic SWIFT users	23	23	26	28	30
<i>Of which</i>					
Members	7	7	9	9	9
Sub members	0	0	0	0	0
Participants	16	16	17	19	21
Worldwide SWIFT users	7,199	7,466	7,527	7,667	7,888
<i>Of which</i>					
Members	3,847	4,006	4,085	4,224	n.a.
Sub members	3,027	3,079	3,051	3,019	n.a.
Participants	325	381	391	424	n.a.

Source: SWIFT.

**Table A17: SWIFT Message Flows To/From Domestic Users**

	2001	2002	2003	2004	2005
Total messages sent	692,187	797,286	1,006,379	1,235,728	1,277,287
<i>Of which</i>					
Category I	460,173	556,526	693,744	860,605	894,511
Category II	86,551	90,308	115,683	136,409	142,296
Total messages received	904,215	1,028,939	1,288,749	1,557,342	1,702,530
<i>Of which</i>					
Category I	n.a.	n.a.	n.a.	n.a.	n.a.
Category II	n.a.	n.a.	n.a.	n.a.	n.a.
Global SWIFT sent traffic	1,533,906,047	1,817,443,994	2,047,564,360	2,302,353,748	2,518,285,043

Source: SWIFT.

## SERIES B

### Table B1: Number of Financial Entities

	2002	2003	2004	2005	2006
Deposit-taking institutions, of which	25	28	30	32	30
Commercial Banks including branches of foreign banks	25	28	30	32	30
Savings banks	n.a.	n.a.	n.a.	n.a.	n.a.
Credit unions	n.a.	n.a.	n.a.	n.a.	n.a.
Non-bank financial institutions	n.a.	n.a.	n.a.	n.a.	n.a.
Other financial institutions	n.a.	n.a.	n.a.	n.a.	n.a.

Source: NBRB.

### Table B2: Banking Sector Assets (year-end, in BUR billion)

	2002	2003	2004	2005	2006
Deposit money banks- Total assets	4,119.2	6,306.5	10,038.6	14,570.7	20,519.8
Deposit money banks- foreign currency denominated assets	469.0	506.5	719.4	988.0	1,475.1
Commercial Banks – Net Loans	13.8	5.4	61.1	252.5	225.5

Source: Bulletin of banking statistics.

### Table B3: Deposits (year-end, in BUR billion)

	2002	2003	2004	2005	2006
Demand deposits	1,124.2	1,659.2	2,456.3	3,926.7	4,789.6
Time deposits	928.0	1,517.2	2,517.5	4,078.2	5,611.7
Savings deposits	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Bulletin of banking statistics.

**Table B4: Equity**  
(year-end, in BUR billion)

	2002	2003	2004	2005	2006
Deposit money Banks	317.1	816	1,446.6	2,161.2	2,941.5
Other banking institutions	n.a.	n.a.	n.a.	n.a.	n.a.
Non banking financial institutions	...	...	...	...	...

Source: Bulletin of banking statistics.

**Table B5: Loans**  
(year-end, in BUR billion)

	2002	2003	2004	2005	2006
Total credit to businesses	2,080.6	3,099.1	4,562.9	7,169.0	9,193.6
Total credit to individuals	261.3	480.7	1,008.9	1,927.7	3,279.4

Source: Bulletin of banking statistics.