In the period under review, a large number of regulatory documents aimed at coping with crisis phenomena in the economy were released. The main guidelines for the RF Government’s activities in the period till 2018 (the revised version as of 14 May 2015) and Federal Law No.87-FZ of 20 April 2015 on The Reporting by the Government of the Russian Federation and Information by the Central Bank of the Russian Federation on Implementation of the Plan of Priority Measures Aimed at Ensuring of Sustained Development of the Economy and Social Stability in 2015 were approved; financial agencies approved documents aimed at prevention of channels of tax evasion (unfortunately, not always indisputable ones); explanations on application of provisions of the Tax Code of the Russian Federation were prepared and regulatory documents of other economic agencies dealing with organization of economic relations in present-day conditions were released.

In our view, in the situation of financial instability one of the most complicated and topical lines of the RF Government’s activities is development of the strategy of behavior in respect of natural monopolies and other state monopolies which operate in the economy.

The main guidelines for the RF Government’s activities in the period till 2018 (the revised version as of 14 May 2015) define the key aspects of the present-day comprehenison of challenges facing the country and the lines of reforms of the Russian economy.

The RF Government points to the following negative trends which affect the Russian economy: a decrease in the global demand on traditional primary products which situation changes in quality terms the state of the Russian balance of payments and revenues of the budget system; aggravation of the geopolitical situation which actually closed the access for most Russian companies to foreign capital markets and made it difficult to attract modern technologies from abroad; financial limitations which resulted in a change in purpose of utilization of the available resources – domestic savings are becoming not only the source of funding of investments by the Russian business, but are also used for repayment of the accumulated foreign debt and the reduction of the number of the working age population. The above factors resulted in a structural deficit of cash resources, a higher share of the state’s presence in the economy with lower efficiency of its participation; a lower efficiency of government’s spendings (insufficient provision of households with public services and substandard quality of those services) and a lag in global rates of technological development.

The Government of the Russian Federation has set its following short-term goals: create by 2018 the conditions for implementation of the main components of the new model of economic development with its growth rate not lower than the worldwide average and based on accelerated growth in private investments with utilization of modern technological solutions.

The following objectives which are to be solved by 2020 have been set: the share of investments in GDP is to be increased by 22–24% (with the expected level of 17.8% in 2015); the share of the consolidated budget expenditures in GDP is to be reduced to 35% of GDP (38.1% in 2014)\(^2\); the share of export of non-primary products is to be increased to 45% (30.2% in 2014); the share of investments in import is to be raised to 32–35% (25.2% in 2014 r.); the share of import in the retail trade resources is to be cut to 38% (44% in 2014); upgrading of the Russian Federation’s global competitiveness rating is to be secured; at least 25m high-efficiency jobs are to be created by 2020; the level of labor efficiency is to be increased and other.

- To solve the above objectives, the following measures have been envisaged: upgrading of the business climate, reduction of the period and promotion of efficiency of rehabilitation procedures, reduction of the period and costs on bankruptcy procedures, attraction of additional investments to the economy (develop-

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1 It is stated that in the past few years in the segment of companies with state participation there was growth in operating costs at rates exceeding the respective index of the private sector, excessive level of employment was maintained and implementation of a number of investment projects with a negative cash flow was carried out.

2 In 2014 the expenditures of the consolidated budget of the Russian Federation amounted to Rb 27.2 trillion (the data published by the site: info.minfin.ru/kons_rash_isp.php); GDP was equal to Rb 71.4 trillion (the data published by the site: rbc.ru/rbcfreenews/551c01bb9a7947283b07c781). The share of consolidated expenditures in GDP amounts to 38.1%.
ment of the public-private partnership and recovery of the funded pillar of the system of mandatory pension insurance; reduction of the administrative burden on entrepreneurs; privatization of state property and minimization of state participation in commercial companies on competitive markets;

- Support by the Government of the Russian Federation of innovation development institutes, R&D and educational institutions and the business as regards formation of priority R&D lines, creation of samples of competitive innovation products, commercialization of research work, technological re-equipment of enterprises, formation of demand on innovation products and other; development of the system of centers of collective utilization of modern research and high-tech equipment; development of research activities on the basis of international “mega-science” research projects and development of the modern research and technology base in defense industries;
- Development of the flexible market of high-skilled labor;
- Development of the financial and commodity market; support of the banking and financial system through higher capitalization by means of a transfer by the Deposit Insurance Agency (DIA) of federal loan bonds (OFZ) in the capital of banking and financial institutions; financial support of export operations; administrative support of exporters at the level of trade missions (holding of business missions and other);
- Strengthening of the revenue base of regions with their own tax sources; coping with the debt crisis of regional budgets, optimization of expenditures of budgets of all the levels – minimization of “protected” expenditure items;
- Reforms of law-enforcement system and judicial proceedings and introduction of the methods of control on the part of the public over their activities.

Among the documents approved in the period under review for coping as soon as possible with economic and financial problems, it is important to point out the following ones:

1. For the purpose of strengthening of parliamentary control over the activities of the RF Government aimed at coping with the crisis situation, Federal Law No.87-FZ of 20 April 2015 was approved. The above law establishes the responsibility of the Government of the Russian Federation and the Central Bank of the Russian Federation to report on a regular basis to the Federal Assembly on the state of the economy and implementation of the approved plan of priority measures aimed at ensuring of sustained development of the economy and social stability in 2015, including provision of the information on utilization of financial resources for support of the financial market and backbone institutions of different sectors of the economy, implementation of specific mechanisms which underpin the labor market and ensure social support of individuals and small and mid-sized businesses, structural changes, progress in fulfillment of plans in import substitution, measures of tax support of the business (granting of delays in making of mandatory payments (payments by installments) and reduction of a tax burden on the small business and a burden on taxpayers in the patent system of taxation) and other.

2. For stabilization of the financial situation in the economy, Federal Law No.109-FZ of 2 May 2015 was approved. The above law provides for a transfer by the Central Bank of Russia of the profit in the amount of 75% and 15% to the federal budget in 2015 for reduction of its deficit and the Bank for Foreign Economic

1 Reduction of the number of inspections, upgrading of the legislation on regulatory and supervisory activities, introduction of “supervisory holidays” for enterprises which in the period of three years did not commit any serious violations, development of the self-regulating entities as a form of self-regulation in industries instead of state licensing, registration and other forms of administrative supervision and withdrawal of small business entities from the antimonopoly control of the Federal Antimonopoly Service.

2 In our view, methods of support of banks need to be specified. At present, 27 banks have become participants in the program of recapitalization having received OFZ from the DIA. The banks participating in the program made a commitment to fix the amount of the labor remuneration fund as of 1 January 2015. Bank’s own capital should not fall below Rb 25bn, they should increase their credit portfolio in priority sectors by 12% a year within three years and shareholders are obligated to carry out if necessary recapitalization of their bank. However, three months later bank managers started to apply to the Ministry of Finance with a request to ease the requirement as regards the amount of the labor remuneration fund of banks. But the Ministry of Finance of Russia agrees to increase the amount of the labor remuneration fund only in case of opening up of new branches. (See O. Shestopal. No Increase is Planned by Banks’ Top Managers. The Ministry of Finance Will Not Revise Limitations on Top Managers’ Salaries. The site: kommer-sant.ru/doc/2735188 ).

Despite the tough position of the Ministry of Finance of the Russian Federation, to our opinion, banks will not be able to regain financial stability and increase their capital unless top-class experts are employed. It seems instead of recapitalization by means of a transfer of OFZ to banks and freezing of the amount of the labor remuneration fund it would be correct to assign a bank to the receiver for temporary administration or permit employment of DIA employees with banks for organization of non-stop supervision over a bank’s operations and approval of banks’ expenditures and liabilities (approval, including with utilization of an electronic digital signature of agreements, registers, copies of order documents to transact deals). In our view, that issue is to be solved jointly by the Ministry of Finance of the Russian Federation, the Central Bank of the Russian Federation and the Deposit Insurance Agency.
A.  The Tax Code of the Russian Federation (TC RF) aimed at strengthening of the revenue base of regional and local budgets. Generally, the amendments deal with specification of the wording of obligations of tax agents – both individual entrepreneurs and legal entities which are large taxpayers and their separate structural units – as regards withholding of the individual income tax (IIT).

As regards individuals, the dates of withholding of the tax depending on the type of the income (or sending of the information to the tax authority at the place of registration of the tax agent that such a tax cannot be withheld) are determined in detail. It is established that a tax agent has to withhold a tax not later than the day following the date of actual payment of the income, while as regards some social benefits – the last day of the month those benefits were paid. The Tax Code of the RF sets a penalty for a failure to provide calculations of the individual income tax amount within the established time limit, that is, Rb 1,000 for each complete and incomplete month from the day set, while in case of provision of documents containing the inaccurate information – Rb 500 per each presented document containing the inaccurate information.

The date of receipt by the taxpayer of the document sent by the tax authority via the taxpayer’s on-line account was legislatively determined. Deemed as such a date is the day following the day of placement of the document in the taxpayer’s on-line account.

4. In carrying out of the fiscal policy in a crisis situation, financial authorities should develop more carefully decisions aimed at withdrawal of funds from market entities preventing unjustified infringement of taxpayers’ interests and conflicts.

As regards tax evasion measures, it is important to mention Letter No. 03-08-05/23613 of 24 April 2015 and Letter No. 03-08-05/23047 of 22 April 2015 of the Ministry of Finance of the Russian Federation. In our view, the above documents fail to achieve the declared objective.

In the above letters, application of Article 7 of the Tax Code of the Russian Federation in the wording which became effective from 1 January 2015 is explained. What is meant here is the situation where a Russian entity is paying the income to a foreign national, that is, a resident of the state with which the Russian Federation has a double taxation agreement, but who has no title to acquisition of that income and has to give it over to the Russian resident who has the title to it. The Ministry of Finance of the Russian Federation explains that the responsibility of the tax agent as regards withholding of the tax arises in respect of the Russian resident who receives the income from that foreign intermediary and not the foreign resident who receives income from the source in the Russian Federation and has no title to acquisition of it.

As per Article 7 (3) “for the purpose of application of ... an international agreement1 a foreign national is not deemed as the one who has the actual title to ... the income if that person has limited authorities to dispose of that income, carries out intermediary functions in respect of the above income in the interests of another person without fulfilling any other functions and taking any risks paying out directly or indirectly such income (completely or partially) to another person who in case of the direct receipt of such income from the source in the Russian Federation would not have had the right to application of specified herein provisions of the international agreement of the Russian Federation on taxation issues”.

It is established by Article 7 (4) that in payment in such a situation of the income to a foreign national the Russian source has to carry out the following: if the source (the Russian tax agent) knows the person who has the actual title to the income (a portion thereof), the payment is made without the tax being withheld by the source “provided that the tax authority at the place of registration of the legal entity – the source of payment of income – is notified in accordance with the procedure set by the federal executive authority which is in charge of control over collection of taxes and duties”; if the actual beneficiary is a foreign national whom the double taxation agreement is applied to, taxation of the income is carried out in accordance with the principles of that international agreement, that is, the source should not withhold the tax. So, there is only one instance which is not resolved by Article 7, that is, if the source does not know who the actual beneficiary of the income is. It seems that in such a case, in the opinion of the Ministry of Finance of the Russian Federation, a tax violation will be committed (the tax which is subject to payment was not actually withheld), so, general consequences for a similar tax violation arise: the outstanding amount, fines and penalties will be charged. But nothing is said about it in the letter. It seems financial experts believe that a source will be aware of the fact that it has committed a tax violation and will fear the consequences and, thus, pay the tax.

The legal specifics of the wording of Article 7 (3) and Article 7 (4) consists in the fact that under the law the Russian source paying income to the foreign counterparty is obligated to qualify the nature of a deal of that

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1. The double taxation convention.
foreign counterparty with the third person. It means that the Russian source which has no direct access to the agreement between those persons should guess what they have agreed on.

For such “quick-witted” sources, the Federal Tax Service sent its guidelines (Letter No. GD-4-3/6713@ of 20 April 2015) for implementation of provisions of Article 7 (4) (1) of the Tax Code of the Russian Federation and a temporary form of “Message No. on Payment to a Foreign National of Income the Actual Beneficiary of Which is a Resident of the Actual Federation” which is to be filled in. The source is asked to fill in “the Message…” and put its signature under the words: “The authenticity and completeness of the information specified herein is confirmed (full name of the representative, the representative’s individual taxpayer number, telephone number, signature, seal and the date)”. It is obvious that such a notification without proper documentation is just a suspicion and in case an official statement submitted to competent authorities the above can be interpreted as slander. It is to be noted that in such a case only an intermediary agreement (agency contract and contract of commission agency) with specification of the fact in whose favor the foreign agent (guarantor and commission agent) is working can serve as a proper documentary base. Other legal forms of documentary confirmation are hardly feasible (it is hardly possible that commercial and tax secrets are going to be disclosed by a foreign counterparty or tax authority of a foreign state to the Russian tax agent).

In our view, the wording of Article 7 creates a conflict of laws which is likely to be resolved by judicial means. Under the Constitution of the Russian Federation – Article 57: “each person is obligated to pay taxes and duties established by the law” – Russian citizens should not pay anything which is not determined directly as a tax or duty. A tax agent is obligated to withhold a tax and not to pay the tax instead of the taxpayer. It is important to check whether enforcement of a Russian legal entity or individual which are referred to as “a tax agent” in the wording of Article 7 of the Tax Code of the Russian Federation to determine independently the nature and results of deals between third parties which are beyond their control, set the size of the tax liability of one of those third parties to the budget system of the Russian Federation and notify on the basis of a suspicion the Russian tax authority of a tax violation identified complies with the Constitution of the Russian Federation. It seems that implementation of Article 7 of the Tax Code of the Russian Federation is feasible only in case of cooperation between tax authorities of the Russian Federation and tax authorities of the states at the place of tax residence of persons who receive the income from sources in the Russian Federation in identification of the circumstances and the title to such an income. So, it is believed that the actual placing of the duty of control over payment of taxes to the fiscal system of the Russian Federation on persons who are not directly authorized to carry out administration of taxes and duties fails to comply with Article 11 (1) of the Constitution of the Russian Federation. The above Article establishes that public authority in the Russian Federation is carried out by the President of the Russian Federation, the Federal Assembly, the Government of the Russian Federation and law courts of the Russian Federation. Delegation of authorities as regards fulfillment of public authority duties (including taxation and control over payment of taxes) to third parties is not provided for by the Constitution. By virtue of the above, recognition of a tax agent as an entity which is liable to pay its own funds to the budget on the basis of provisions of Article 7 of the Tax Code of the Russian Federation violates his/her rights as regards setting and payment of taxes to the budget system of the Russian Federation. It is believed that the issue in question will be resolved judicially.

5. There are many questions regarding application of the legislation on taxation of real property on the basis of the cadastre value due to the fact that such a tax was introduced for the first time and no experience has been accumulated so far.

In particular, the statement – Article 378.2 (6) of the Tax Code of the Russian Federation – that not only individual buildings, but also premises within those buildings may have a cadastre value is a controversial one. The cadastre value of the building cannot be formed as a composite value based on the cadastre value of individual premises. It is obvious that the cadastre value of premises should be considered as a portion of the cadastre value of the building and not vice versa, as in case of a change in the cadastre value of individual premises it will be necessary to change simultaneously the cadastre value of other premises and the building as a whole which situation inevitably results in technical problems and inconveniences for other owners of premises in that building. It is believed that the problem can be resolved by way of adjustment of the tax base of premises depending on the cost of finishing and equipment of premises – a certificate of an independent appraiser will be required in such a case. It

1 Such a scheme, for example, is offered by tax authorities in respect of determination of the cadastre value of car places at shopping centers or administrative and business complexes (see: Explanations No. BS-4-11/7028@ of 23 April 2015 of the FTS of the RF).
seems such instances are going to be eliminated with development of the judicial practice of the courts.

Also, some other issues related to introduction of evaluation on the basis of the cadaster value are explained. For example, the cadaster value as a tax base is applied at present to those real property units, dwelling houses and premises which are accounted for in the balance of the legal entity as goods or finished products with provisions of the legislation of the respective constituent entity of the Russian Federation taken into account. In case of absence in the constituent entity of the Russian Federation of the law which determines the specifics of calculation of the tax base in respect of such real property units, the corporate property tax is not charged.\(^1\)

If within a year legally justified amendments\(^2\) were introduced in the list of real property units which are appraised on the basis of the cadaster value, for example, if such real property units were recognized by a court decision as being inconsistent with the criteria established in the constituent entity of the Federation for inclusion in the list, the exclusion from the list determined for the respective tax period should be carried out with mandatory placement of the relevant information on the official site of the constituent entity of the Russian Federation in the Internet. In excluding of the real property unit from the list of real property units, the tax base in respect of that unit in the respective tax period is determined as its average annual value.

Among other technical documents approved in the period under review, it is worth mentioning the following.

6. Major efforts were made by tax authorities in facilitating the small business as regards explanation of issues related to verification of correctness of completion of reporting in accordance with the simplified taxation system (STS). For utilization in work, check ratios of the tax return’ indices approved by Order No. MMV-7-3/352@ of 04 July 2014 of the Federal Tax Service of the Russian Federation were sent by Letter No. GD-4-3/7224@ of 27 April 2015 of the Federal Tax Service.

7. By Order No. MMB-7-14/177@ of 24 April 2015 of the Ministry of Finance of the Russian Federation and the Federal Tax Service of the Russian Federation, an electronic form and format of notification by a Russian taxpayer of his/her participation in foreign entities (establishment of foreign organizations without formation of a legal entity) and procedure for completion and provision thereof to tax authorities were approved. The form is modelled after the tax return on income depending on the type of the foreign entity and provided on each entity in whose capital the interest of the taxpayer exceeds 10%.

8. In Letter N. ED-4-13/7083@ of 24 April 2015 of the Federal Tax Service of the Russian Federation, explanations are provided as regards the procedure for execution and sending by taxpayers in 2015 to tax authorities of notifications on controlled deals carried out in 2014, including provision of multivolume notifications and notifications in an electronic format on sanctions for violation of deadlines and inclusion of the invalid data in notifications.

9. By Letter of 05 May 2015 of the Rospotrebnadzor (the Federal Service for Supervision of Consumer Rights Protection and Human Welfare) on Amendments to the Civil Code of the Russian Federation which Become Effective on 1 June 2015 (approved by Federal Law No.42-FZ of 08 March 2015), it was informed that from 1 June 2015 the general rule of calculation of interests for utilization of someone else’s funds – which rule was established by Article 395 of the Civil Code of the Russian Federation – was changed, that is, instead of the rate of refinancing average rates of interest (published by the Central Bank of Russia) on individuals’ deposits with banks related to respective periods should be applied. Also, the above letter includes explanations on other amendments to the Civil Code of the Russian Federation which become effective from the above date.

10. By Federal Law No.112-FZ of 2 May 2015, amendments related to supplement of the list of jobs related to stamping of precious metal articles for which job the state duty in the amount of Rb 1,000 per unit of measurement were introduced in the Tax Code of the Russian Federation.

11. By Federal Law No.110-FZ of 2 May 2015, a profit tax privilege for entities carrying out educational and (or) medical activities was specified.

12. In accordance with Law No.488-FZ of 31 December 2014 on Industrial Policy in the Russian Federation, it is provided for to form a free-access data base (establishment of the State Information System of Industry – SISI) which includes the data on forecasts of output of the main types of industrial products and their actual output, description of that produce (with taking into account the sectorial specifics) and the volume of its import to the Russian Federation (by the type of products); starting from 30 June 2015 legal entities and individual entrepreneurs operating in industry will have to enter the above data into the SISI.

A penalty is established for a failure to provide the mandatory information or provision of such infor-

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1. See. Ibid.
mation with violation of the deadlines or falsified (incomplete) information. The amount of the penalty, for example, for legal entities will amount Rb 3,000–5,000.

13. A change in the formula of calculation of the ratio of localization of production in order to supplement it with a factor eliminating the effect of a change in the exchange rate of foreign currencies against the ruble may contribute to early stabilization of the financial situation on the Russian market. Due to dramatic devaluation of the Russian national currency, foreign auto groups encountered the situation where the level of localization of their output in the Russian Federation fell. Due to the above, they may be deprived of the right to duty-free import of auto parts. Taking into account the fact that that issue is topical for more than 70 entities which scrupulously make investments in the Russian Federation and are taxpayers in the Russian Federation it is important, in our view, to ensure conditions for fair competition of those entities on the Russian market and eliminate the effect of a change in the ruble exchange rate on cost-effectiveness of their products. At present, the ratio of localization is being developed by the Ministry of Economic Development of the Russian Federation.

In a situation of a dramatic financial crisis which the state encountered in 2014–2015, it is important to point out the new phenomena\(^1\) in respect of which it is required to develop timely a coordinated position in order to prevent destabilization of the economic and sociopolitical situation in Russia. In our view, the factor of existence of a large number of state monopolies in Russia is a serious problem. They may seriously and promptly destabilize the situation — it happened in Ukraine and took place in Russia in the 1990s.

In a situation of the crisis in the economy of the Russian Federation, the pressure of natural monopolies (primary, transport and other) on the RF Government with a request to raise tariffs\(^2\) on their produce (jobs and services) has greatly intensified. Containment of growth rates of tariffs of natural monopolies at the level of ¼ of the inflation rate on the domestic Russian market — which measure representatives of the business asked for at the meeting with the President of the RF on 26 May 2015 — could contribute to early recovery of crisis phenomena in the economy and development of import substitution industries. At the same time, global market prices, for example, on oil fell dramatically and so did the revenues of oil monopolies. Oil prices have an effect on the level of gas prices. As a result, natural monopolies unanimously stand for an increase in tariffs on the domestic market and justify it as a necessary one due to the need to buy foreign technological equipment and parts and upgrade industries at global market prices\(^3\).

So, the crises identified principal differences in interests of development of the Russian economy and the economy of natural monopolies.

Natural monopolies perceive themselves as entities of the global market and understand that a reduction of investments in maintenance of their international competitiveness means that they may be ousted from that market — they are sooner prepared to give up the Russian market than the international one. It is important to establish in Russia a proper free market so that the interests of natural monopolies did not run counter to the interests of development of the domestic economy. At the first stage of development of the domestic free market, diversification of tariffs for the international and domestic markets is inevitable. Gradually, that difference will be smoothed: domestic tariffs will be increased to the level of the global market because application of the domestic tariffs in production of the export products is considered within the WTO frameworks as subsidizing with relevant withdrawal of subsidies to budgets of foreign states at the place of sale of non-primary commodities of the Russian origin.

The problem consists in the fact that natural state monopolies (particularly during the crisis) are seeking to minimize the supplies of produce (jobs and services) on the Russian domestic market and in doing so they can secure the support of influential officials and/or security officials (groups of officials and/or security officials) who identify their official interests with protection of interests of state monopolies. As a result, a sort of the state monopolistic capitalism where state and security officials serve the interests of monopolies can be created. Domination of monopolies in the economy of the country is strongly inadmissible: they accumulate financial resources of the nation, strangle other market participants by their monopoly prices and redistribute the nation’s resources in their favor. As a result, the free market is dead and the economy stops developing as the only objective motive of development — unrestricted competition — is gone. Higher lag in technological, technical and scientific spheres, departure of experts with competitive international expertise and eventual weakening of the country’s

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\(^1\) What is meant here is efforts by large commercial entities to influence the policy in order to realize their economic interests.


\(^3\) N. Skorygina. We Have Got No Chance to Do Something. Denis Feydorov, Head of the Gasprom Energoholding on Wrong Forecasts and Hard Decisions. The site: kommersant.ru/doc/2725165 as of 13 May 2015.
national security can be the consequence of that policy.

To prevent the situation from reaching the point of no return, it is necessary to change the legal form of natural monopolies. What is meant here is the following. To reduce as much as possible the risk of reorientation of interests of officials and/or security officials with authorities granted them by the state to protection of the interests of natural monopolies under the pretext that those corporations are state-owned ones, it is necessary, in our view, to start as soon as possible restructuring of state-owned corporations into public corporations by placing their equities on the stock market. It is to be noted in order to prevent direct or indirect private monopolization of access to the mineral wealth, that is, establishment of a colonial scheme\(^1\) of utilization of mineral wealth which belongs to the Russian Federation and constituent entities of the Russian Federation it is important to determine legislatively the ultimate share which can be owned by related parties in the capital of a public corporation\(^2\) and introduce a legislative regulation as regards permission of the exchange trade in equities (interests) of public corporations only at stock exchanges registered in the Russian Federation and operating in accordance with the rules set by the legislation of the Russian Federation.

With such an approach, restructuring of natural, primarily, primary sector state monopolies into public corporations will not result in colonization of the Russian mineral wealth; on the contrary it may contribute to optimization of costs, reduction of corrupt practices in that area and accelerated development of the free market relations in the Russian Federation. As the source of produce (jobs and services) of natural monopolies is the territory (mineral wealth) of the Russian Federation, purchases for the domestic market of the Russian Federation should be a priority (that should be determined legislatively even by making amendments to the Constitution) on the basis of the state-guaranteed order for volumes and at prices determined by totaling of applications of self-regulating organizations in relevant sectors. It is believed that in conditions of the WTO one should not fear that some purchasers may happen to be middlemen as recognition of the difference in prices between the domestic and international markets as subsidies which are subject to payment to budgets of other states makes such profiteering with primary products and other commodities (jobs and services) of natural monopolies inefficient. To reduce the share of supplies at prices which are below the global ones, a natural monopoly will be interested in speedy development of the domestic market and bringing of prices to the international level.

Also, financial institutes make efforts to influence the government’s policy. At present, the Government of the Russian Federation and the Central Bank of Russia make coordinated cautious steps to reduce financial tensions caused by depreciation both of global prices on hydrocarbons and the ruble exchange rate against other major currencies. Preference is given to economic and not administrative regulation. Despite a change in the ruble prices due to depreciation of the ruble exchange rate against other major currencies late in 2014 to Rb 70 per a US dollar and smooth appreciation of that to Rb 50 per a US dollar early in 2015, the documents approved in April–May 2015 exclude administrative regulation of prices.

So, as regards grain the minimum price is set at which the government starts to carry out grain interventions\(^3\); in its turn the Central Bank of Russia raises the interest rate on special instruments of funding provided by the Bank which measure permits to reduce the interest gap subsidized out of the budget between the market price of loans and the fixed price on loans attributed to special mechanisms\(^4\). So, as a result of the decision of 30 April 2015 of the Board of Directors of the Central Bank of Russia interest rates on loans secured by the pledge of receivables, loans for funding of investment projects, loans secured by a pledge of bonds placed for the purpose of investment projects and included in the Lombard list of the Central Bank of Russia and loans secured by a pledge of receivables under loan agreements secured by insurance contracts of the OAO Export Insurance Agency of Russia (OAO EXIR) were raised to 9% per annum against the rate of 6.5% and 7% which was in effect earlier. The interest rate on loans secured by a pledge of receivables under interbank loan agreements – which loans are provided by the OAO MSP Bank to the small business was raised to 6.50% per annum against 4% per annum earlier\(^5\).

\(^1\) It suggests that the revenues originating from the territory of the Russian Federation are legalized at the place of operation of the controlling group of shareholders and participants.

\(^2\) Under no conditions, a legally indisputable control by a single person or a group of related parties over the activities of a public corporation should be established.

\(^3\) Order No.119 of 31 March 2015 of the Ministry of Agriculture of the Russian Federation on Determination of Ultimate Levels of Minimum Prices on Grain of the 2015 Yield in Carrying Out of State Purchasing Interventions in 2015-2016. The above Order was registered under No.37074 by the Ministry of Justice of the Russian Federation on 29 April 2015.

\(^4\) The information of 30 April 2015 of the Central Bank of Russia.

\(^5\) It is to be noted that resources of the National Welfare Fund (NWF) are still deposited with the Vneshekonombank for a long term at the rate of 6.25% (Resolution No.439 of 6 May 2015 of
To maintain a stable situation on the market of households’ deposits with banks, supervision authorities which deal with elimination of phantom banks in the banking sector work scrupulously and cautiously in order to exclude any such changes in the organization of the existing system of deposit insurance as may provoke mass withdrawal of households’ deposits. The proposal of the Sberbank of Russia to change the procedure for insurance of households’ deposits, that is, to limit the ultimate amount of payments out of the fund of the Deposit Insurance Agency by Rb 3m or a payment once in five years or other is explicitly out of line with that policy. They calculated at the Sberbank that as a result of provisions made by them and other state-owned banks to the fund of the Deposit Insurance Agency the beneficiaries are the banks which carry out high-risk policy and attract customers’ funds in deposits by promising them higher interests. The position of the Sberbank is not an unfounded one, but questionable. It is to be reminded that in a crisis situation unlike commercial banks monopolist state-owned banks (including the Sberbank) receive stable revenues or refinance their losses by way of placement at a market rate on the market of funds put in irrevocable and replenishable deposits opened with those banks by the Government of the Russian Federation at the expense of budget funds or funds at the rate of 5–6%. Taking into account the fact that interest rates on loans amount to 17% or more on the market and up to Rb 500bn can be deposited in accounts with the Sberbank under deposit agreements with the Government of the Russian Federation, the Sberbank may earn without any risks on the interest rate difference Rb 50bn a year, thus partially compensating its expenses related to payment of contributions to the Deposit Insurance Agency. The fact that due to sanctions the Sberbank has lost a direct access to foreign capital markets and fails to ensure high income to its customers should prompt its management to transform the bank into a classical market entity; such a measure would permit it to return to the global market and escape sanctions. In addition to the above, the Sberbank, for example, could demand a judicial verification of the fact whether excessive interests on deposits are a violation of the rules of free competition and whether they are ensured by sufficient sources from placement of those funds on the market, that is, to check if no immobilization of capitals of commercial banks and customers’ and counterparties’ funds for payment of such interests take place.

As regards the proposal to revise the well-functioning scheme of deposit insurance which permitted repeatedly to avoid the collapse of the banking sector and emergence of a shadow currency market, in our view, that should not be done. The existing system of deposit insurance prevents spreading of the panic related to a sudden loss of property as it was in 1998 and mass withdrawals of funds from banks. Protection of deposits prevents an excessive pressure on the currency market and legalizes money circulation in the country. In case of bankruptcy, customers’ foreign currency deposits are converted into rubles at the exchange rate of the foreign currency prevailing on the day of declaration of bankruptcy of the bank, that is, the insurance is paid out in the national currency of the Russian Federation. The proposal of the Sberbank will result in dramatic growth in risks related to a loss of depositors’ funds. Unsecured deposits will be immediately withdrawn by individuals, while ruble funds, are exchanged into a foreign currency.

It is to be reminded that the Central Bank of Russia and the Deposit Insurance Agency did not support the Sberbank’s proposal.