

# RUB Settlements

International bank's view  
towards RGTS progress

Julia Sergeeva

Payments and Cash Management

ING BANK (EURASIA) ZAO

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# Agenda

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- Local Market Overview
- Before and After of RTGS
- RUB payments processing via BBS
- RTGS : current status and specifics
- Summary

# Local Market Overview

## Market participants

### Counterparts

Top 30 Russian banks

Subsidiaries of foreign banks in Russia

### International brokers

Off-shore market

FX spot, FX swaps, XCY swaps, IRS, OIS

## Rouble funding

Top Russian banks and foreign subsidiaries (overnight 4.5-5.5%, MM up to 3 months)

Foreign banks – limited direct access to local funding

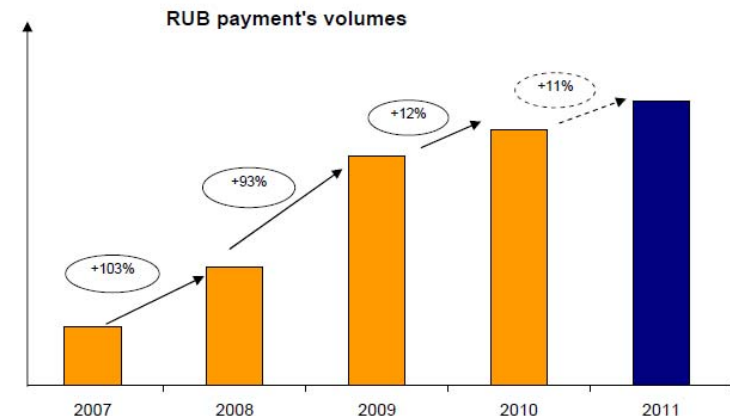
Local ISDA has been implemented

## Trading and Settlements volumes substantially increased

Increase in volumes in 2011 vs. 2010 as forecasted

Daily RUB turnover of ING Moscow with foreign banks has increased in 2011

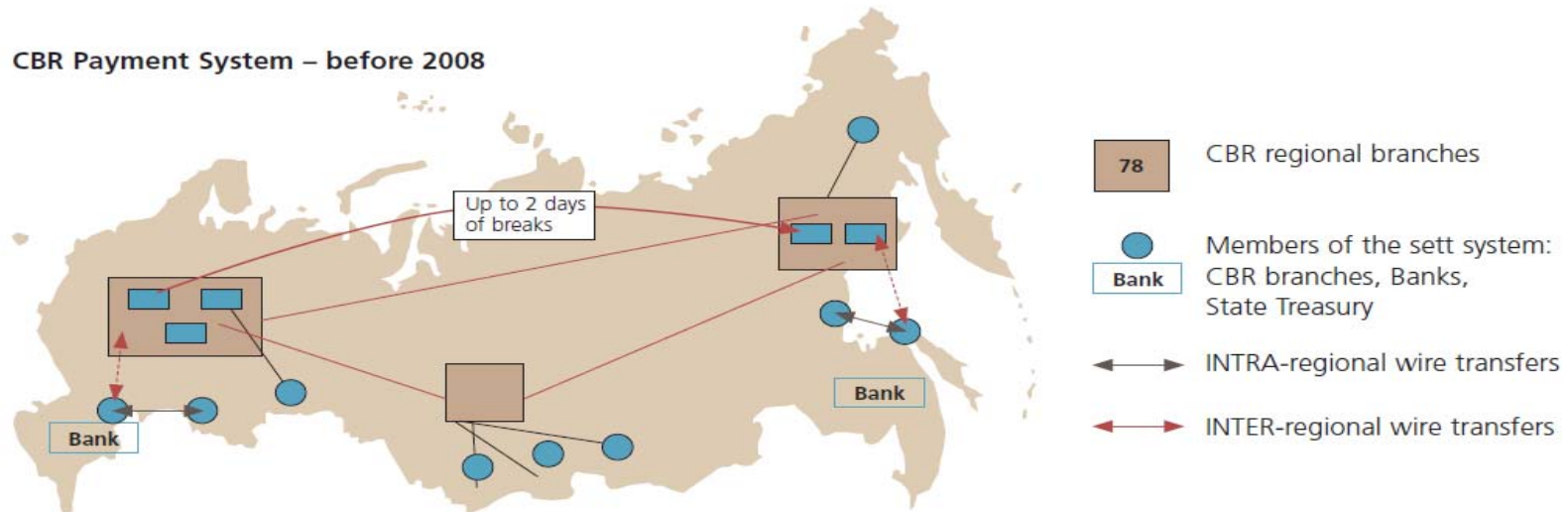
Mostly traded instruments : FX spot, FX swaps, RUB bonds, REPO, derivatives



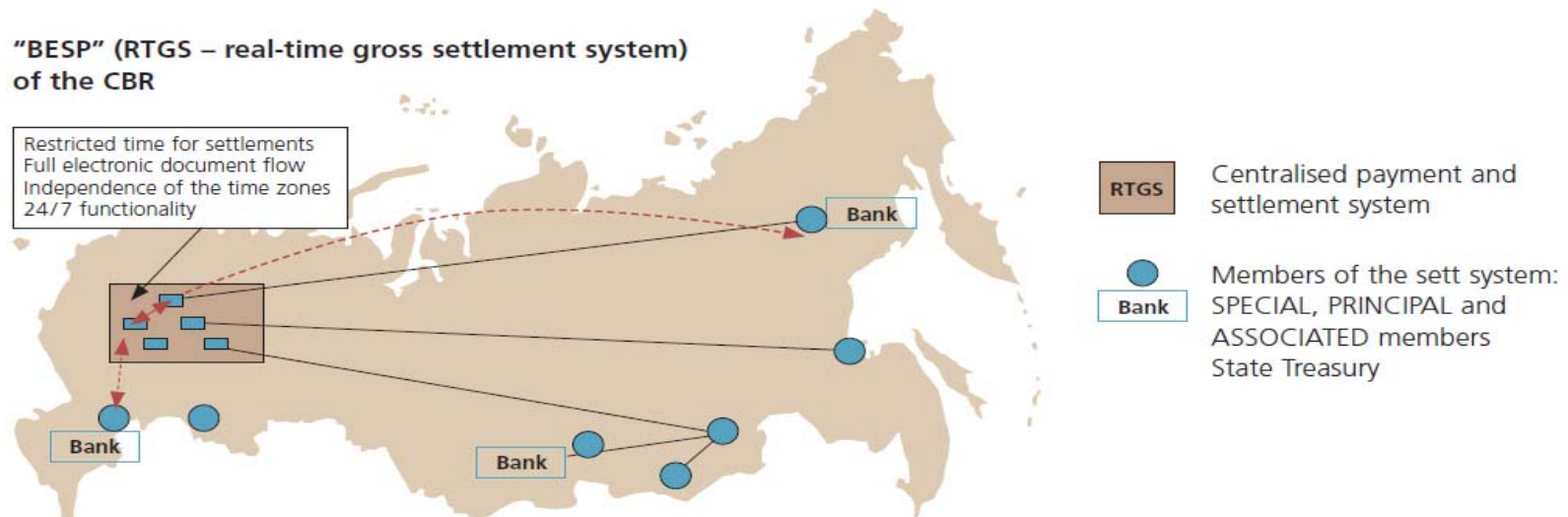
Volumes are based on ING Commercial Banking activity on Russian market

# Before and After of RTGS

CBR Payment System – before 2008



"BESP" (RTGS – real-time gross settlement system) of the CBR



- Payments with early CBR batch
- Extended cut-off times for same day value settlement
- Intraday overdraft facility
- Understanding of Currency control rules



## Special local format

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## Manual intervention in RUB payment processing on behalf of foreign FI

```

graph TD
    A[Payment details in Russian  
Local format of payment orders] --> B[Core Bank System]
    B --> C[SWIFT RUR6 Transliteration]
    C --> D[SWIFT]
    D --> E[Reporting]
    D --> B
    B --> F[Translation]
    F --> D
    
```

The diagram illustrates the flow of payment instructions from a Correspondent Bank to the Russian Clearing System. The process involves two parallel paths for English and Russian language instructions, which are then merged and sent to the Core System.

```

graph TD
    CB[Correspondent Bank] --> SWIFT_E[SWIFT in English*]
    CB --> SWIFT_R[SWIFT RUR 6]
    SWIFT_E -- English --> Create[Create payment instruction  
Local format of P/O  
Payment details in Russian  
Special codes]
    SWIFT_E -- "Translation*" --> Translate[Translate payment details, originator, beneficiary]
    SWIFT_R -- Russian --> Merge(( ))
    Create --> Merge
    Translate --> Merge
    Merge --> CS[Core System]
    CS --> RCS[Russian Clearing System]
    
```

**Correspondent Bank**

**SWIFT in English\***

**SWIFT RUR 6**

**English**

**Russian**

**Create payment instruction**  
Local format of P/O  
Payment details in Russian  
Special codes

**"Translation"**  
Translate payment details, originator, beneficiary

**Core System**

**Russian Clearing System**

\*Agency agreement in place

# RTGS : current status and specifics

## Current status

- Growing interest from foreign FI Clients
- Adoption inside participants is slow
- The main liquidity is still concentrated in the Batch-Based System (BBS)
- All domestic Banks are members of RTGS system including the main liquidity holders
- Currently used by about 3321 credit organizations (including branches)
- Mostly used for early payments to MICEX Settlement House, some interbank FX&MM
- Volume represents approximately 25% of the total RUB payment settlements
- SWIFT Interface with RTGS was launched in August 2011
- SWIFT BIC is linked to local BIK
- More banks start offering RTGS to clients

## Specifics of RTGS in Russia

- Meant specifically for low-volume high-value payments
- Not duly harmonized with the currently used CBR BBS on the side of participant banks
- Sometimes labour-intensive and time-consuming payment processing
- Additional settings on “sender” and “receiver” sides
- Non-compatibility with international SWIFT standards (format, language)
- High dependency on the possibility and willingness of the local recipient bank to process the payment via RTGS system

# Summary

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## RTGS Functional requirements

- Online settlement over principal RUB NOSTRO
- Instant settlement netting
- SWIFT compatible
- Liquidity management



**ING BANK (EURASIA) ZAO**

36 Krasnoproletarskaya Street

Moscow, 127473, Russia

T. +7 495 755 5400

F. +7 495 755 5499

[www.ing.ru](http://www.ing.ru)