

# Russia adopts new rules for the provision of financial services to consumers

Russia · 02.07.2021

Available languages: [RU](#)

According to a [review](#)\* of the Bank of Russia, a trend in 2020 was the mass arrival of retail investors in the stock market. The number of clients on brokerage services [increased](#)\* 2.3 times, and at the end of the first quarter of 2021 the number of unique investors [reached](#)\* 15% of the economically active population of Russia.

The increase in the number of investors, most of whom have no experience, led to a review of the regulation of financial services. One of the stages was the adoption of [Federal Law No. 192-FZ](#)\* dated 11 June 2021 ("Law No. 192-FZ"), which establishes requirements for disclosure of information on financial services or products to consumers.

## Providing information on financial services and financial instruments

Law No. 192-FZ requires financial institutions to provide individuals with accurate information on the financial services or products they offer, their terms and conditions and related risks. This requirement applies to credit institutions, insurers, brokers, management and investment advisors, private pension funds, microfinance organisations – in each case in relation to financial services or instruments offered by such an organisation (e.g. securities, derivatives, insurance products, trust management, investment advice, pension agreement or consumer credit).

Information must be provided to the consumer in writing (on paper or electronically). The Bank of Russia has the right to establish the form, methods and procedure for providing such information.

At the same time it is assumed that additional requirements on the amount and content of this information will be adopted – they can be approved in accordance with the Federal Law "On Self-Regulatory Organisations" or enshrined by a regulatory act of the Bank of Russia.

## Testing of unqualified investors

Regarding the disclosure by brokers of information on financial instruments, it should be noted that a [law](#)\* was passed on 31 July 2020, which requires unqualified investors to pass tests. A broker is not allowed to sell certain financial instruments to unqualified investors until they have successfully passed a test, the purpose of which is to ensure that the investor has sufficient knowledge to decide whether to conclude a transaction.

According to the original wording, the testing requirement for individuals was to come into force on 1 April 2022, but Law No. 192-FZ brought its entry into force forward to 1 October 2021.

In addition, Law No. 192-FZ prohibits until 1 April 2022 financial institutions from concluding transactions with non-qualified investors (individuals), which are OTC derivative financial instruments (except for transactions based on currency exchange rate changes).

## New powers of the Bank of Russia

The Bank of Russia has received new powers to ensure compliance with the information disclosure requirements.

Firstly, in case of repeated violation of the requirements for selling financial services or financial instruments to consumers within one calendar year (including provision of incomplete or unreliable information, lack of the necessary testing or selling to unqualified investors of instruments intended only for qualified investors) the Bank of Russia has the right to limit the ability of financial organisations to conclude financial-services contracts or transactions with financial instruments.

Secondly, if the violation creates a significant threat to the rights and legitimate interests of individuals, the Bank of Russia has the right to demand that the financial organisation repurchases (or cedes) everything that was transferred under the agreement at its own expense. (The financial organisation will send an irrevocable offer to individuals who are unqualified investors).

## Conclusion

The changes introduced into the regulation of financial services and financial instruments seem to be a logical reaction to a considerable increase in the number of individual investors. Moreover, the changes refer not only to the securities market, but also regulate the rendering of financial services as a whole, extending to credit, pension and insurance products. We understand that in the future these requirements may be specified or supplemented by acts of the Bank of Russia or self-regulatory organisations.

If you have any questions on this eAlert, do not hesitate to contact CMS Russia experts [Leonid Zubarev](#), [Darya Lukoyanova](#), [Elizaveta Volkodav](#) or your regular contact at CMS Russia.

*\* In Russian*

## KEY CONTACTS

---



**Leonid Zubarev**

Senior Partner | Head of Commercial | Head of Insurance, Moscow



**Darya Lukoyanova**

Associate | Banking & Finance, Moscow



**Elizaveta Volkodav**

Associate | Banking and Finance, Moscow

