

**CENTRAL BANK OF THE RUSSIAN FEDERATION**  
**(BANK OF RUSSIA)**

November 16, 2014

No. 3445-U

Moscow

**INSTRUCTION**

**Insurer's Equity Investment Procedure and List of Assets That May Be Invested**

This Instruction based on Article 25 of Insurance Law of the Russian Federation dd. November 27, 1992 No. 4015-1 (Gazette of the Congress of People's Deputies of the Russian Federation and the Supreme Soviet of the Russian Federation, 1993, No. 2, art. 56; Corpus of Laws of the Russian Federation, 1998, No. 1, art. 4; 1999, No. 47, art. 5622; 2002, No. 12, art. 1093; No. 18, art. 1721; 2003, No. 50, art. 4855, art. 4858; 2004, No. 30, art. 3085; 2005, No. 10, art. 760; No. 30, art. 3101, art. 3115; 2007, No. 22, art. 2563; No. 46, art. 5552; No. 49, art. 6048; 2009, No. 44, art. 5172; 2010, No. 17, art. 1988; No. 31, art. 4195; No. 49, art. 6409; 2011, No. 30, art. 4584; No. 49, art. 7040; 2012, No. 53, art. 7592; 2013, No. 26, art. 3207; No. 30, art. 4067; No. 52, art. 6975; 2014, No. 14, art. 1549; No. 23 art. 2934; No. 30, art. 4224; No. 45, art. 6154) (hereinafter the Insurance Law of the Russian Federation) provides a list of assets that may be invested in and sets forth the insurer's equity investment procedures, which set certain requirements related to issuers and/or issues of securities depending on their ratings, listing on the stock exchange, structure of assets in which insurer's equity can be partially invested (in particular, the requirements providing for a maximum permitted percentage of value of each asset type or asset group of the value of insurer's equity or their part).

1. The total cost of assets, in which insurer's equity is invested, should be equal to the total value of the insurer's equity.
2. The cost of assets, in which insurer's equity is invested, is determined as of the

reporting date of the assessment based on the effective accounting data, unless otherwise required by the laws of the Russian Federation.

3. Insurer's equity may not be invested in assets, in which claim reserve funds are invested. If claim reserve funds are invested in a part of an asset value, insurer's equity can be invested in the balance of this value.

4. Assets in which insurer's equity is invested in the amount specified in clause 5 hereof shall not be pledged.

5. Insurer's (except for health insurers specialized exclusively in compulsory health insurance) equity in the amount of minimum authorized capital prescribed by the Insurance Law of the Russian Federation or the standard solvency margin calculated according to the instructions of the insurance supervision authority, whichever is greater, can be invested in assets referred to in clause 6 hereof, subject to the requirements set forth in clause 7 hereof.

Equity of health insurers specialized exclusively in compulsory health insurance can be invested in assets referred to in clause 6 hereof, subject to the requirements set forth in clause 7 hereof, in the minimum amount of equity capital prescribed by the Insurance Law of the Russian Federation.

6. Insurers can invest their equity in the amount specified in clause 5 hereof in the following types of assets.

6.1. Government securities of the Russian Federation and government-guaranteed securities of the Russian Federation (in particular, through underwriting obligations arising from bank guarantees and/or sureties provided to secure the performance of obligations under above securities).

6.2. Government securities of the constituent entities of the Russian Federation.

6.3. Municipal securities.

6.4. Shares.

6.5. Bonds other than securities referred to in sub-clauses 6.1 - 6.3, 6.13 of this clause.

6.6. Investment units of open-end and interval mutual funds; for insurers licensed to provide life insurance services – also investment units of close-end mutual funds.

- 6.7. Cash on cash deposits, in particular, secured by certificates of deposit.
- 6.8. Balances on impersonal precious metal accounts.
- 6.9. Real property.
- 6.10. Cash on hand.
- 6.11. Cash on bank accounts.
- 6.12. Gold, silver, platinum and palladium ingots and commemorative coins of the Russian Federation made of precious metals.
- 6.13. Mortgage securities.
- 6.14. Other assets: computer hardware, office appliances, vehicles, furniture, office and other equipment, undue accounts receivable of legal entities and individuals (including sole proprietors).
- 6.15. Insurers' accounts receivable incurred as a result of direct settlement of claims in accordance with the compulsory motor third party liability insurance laws of the Russian Federation.
- 6.16. Deferred tax assets.
- 6.17. Tax receivable (including advance payments and overpayments).
- 6.18. Interest (coupon, discount and other) income receivable from (accrued on) assets referred to in sub-clauses 6.1 - 6.5, 6.7, 6.8, 6.11, 6.13 of this clause.
7. Assets in which insurer's equity is invested in the amount specified in clause 5 hereof should meet the following requirements.
  - 7.1. Securities referred to in sub-clauses 6.2 - 6.5, 6.13 of clause 6 hereof, except for mortgage participation certificates, pertaining to assets located in the Russian Federation should meet one of the following requirements:
    - The issuer (issue) of a security has a rating of one of the rating agencies meeting the requirements of clause 12 hereof;
    - Securities are included in the listing of the first (highest) level by at least one securities market operator in the Russian Federation (by the Russian stock exchange).
  - 7.2. Securities referred to in sub-clauses 6.4, 6.5, 6.13 of clause 6 hereof, other than those located in the Russian Federation (except for securities, issued by international financial organizations and mortgage participation certificates), should

simultaneously meet the following requirements:

- The issuer (issue) of a security has a rating of one of the rating agencies meeting the requirements of clause 12 hereof;

- Securities are listed by at least one of the following securities market (stock exchange) operators:

American Stock Exchange;

Hong Kong Stock Exchange;

Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris;

Irish Stock Exchange;

BME Spanish Exchanges;

Borsa Italiana;

Korea Exchange;

London Stock Exchange;

Luxembourg Stock Exchange;

Nasdaq;

Deutsche Borse;

New York Stock Exchange;

Tokyo Stock Exchange Group;

Toronto Stock Exchange, TSX Group;

Swiss Exchange;

Shanghai Stock Exchange;

MICEX Interbank Currency Exchange.

7.3. Securities issued by international financial organizations should be included in the List of Securities Eligible as Collateral of the Bank of Russia.

7.4. Regarding investment units referred to in sub-clause 6.6 of clause 6 hereof, the rules for fiduciary management of mutual funds should be duly registered in accordance with the procedures set by the Bank of Russia and should have the investment declaration containing a list of objects for investment limited to assets referred to in sub-clauses 6.1 - 6.5, 6.7 - 6.11, 6.13 of clause 6 hereof.

7.5. Assets referred to in sub-clauses 6.7, 6.8, 6.11 of clause 6 hereof should be

kept in banks licensed to carry out banking operations and assigned a rating by at least one of the rating agencies meeting the requirements of clause 12 hereof.

7.6. Assets referred to in sub-clause 6.9 of clause 6 hereof, should meet the following requirements.

7.6.1. The market value of real property should be certified by an independent appraiser at least once a year in accordance with the laws of the Russian Federation.

7.6.2. Insurer's equity should be invested in real property with a value not exceeding their market value.

7.6.3. The real property should not be subject to any of the following restrictions (encumbrances):

- attachment;
- ban on sale or full alienation;
- rent of real property individually or jointly owned by citizens of the Russian Federation.

7.7. Gold, silver, platinum and palladium ingots and commemorative coins of the Russian Federation made of precious metals as referred to in sub-clause 6.12 of clause 6 hereof should be kept in banks licensed to carry out banking operations.

7.8. Insurers' accounts receivable referred to in sub-clause 6.15 of clause 6 hereof should be net of the amount of accounts payable incurred as a result of the same settlements with insurers.

Insurer's equity can be invested in insurers' accounts receivable incurred as a result of direct settlement of damages in accordance with the compulsory motor third party liability insurance laws of the Russian Federation, net of the amount of accounts payable incurred as a result of the same settlements with insurers, given the absence of a claim reserve to cover expenses associated with insurance payments and direct settlement of damages in future periods (equalization provision for compulsory motor TPL insurance) or, where such accounts receivable exceeds the equalization provision for compulsory motor TPL insurance – in the amount of such excess.

7.9. Deferred tax assets referred to in sub-clause 6.16 of clause 6 hereof should be net of the amount of deferred tax liabilities.

7.10. Tax receivable (including advance payments and overpayments) should be net of the amount of tax payable.

7.11. Insurer's equity can be invested in interest (coupon, discount and other) income receivable from (accrued on) assets referred to in sub-clauses 6.1 - 6.5, 6.7, 6.8, 6.11, 6.13 of clause 6 hereof, unless it is overdue, and insurer's equity is invested in said assets in the amount specified in clause 5 hereof, or claim reserve funds.

7.12. Securities referred to in sub-clauses 6.1 - 6.5, 6.13 of clause 6 hereof, in which insurer's equity is invested in the amount specified in clause 5 hereof should be fully paid by the insurer.

7.13. Insurer's equity cannot be invested in the following types of assets: securities, if it is known at the time of their purchase that the issuers are undergoing a rehabilitation or bankruptcy procedure or subject to supervision, administration or receivership in accordance with the bankruptcy laws of the Russian Federation, or the issuers were subject to any of the above procedures during the previous two years.

8. For the purposes hereof, assets located in the Russian Federation are deemed to include the following assets.

8.1. Government or securities of the Russian Federation and government-guaranteed securities (in particular, through underwriting obligations arising from bank guarantees and/or sureties provided to secure the performance of obligations under above securities).

8.2. Government securities of the constituent entities of the Russian Federation.

8.3. Municipal securities.

8.4. Other securities referred to in sub-clauses 6.4 - 6.6, 6.13 of clause 6 hereof, issued by residents of the Russian Federation.

8.5. Cash held on accounts and on cash deposits, in particular, secured by certificates of deposit, and balances on impersonal precious metal accounts in banks – residents of the Russian Federation – licensed to carry out banking operations.

8.6. Real property located in the Russian Federation.

8.7. Cash on hand (in Rubles).

8.8. Gold, silver, platinum and palladium ingots and commemorative coins of the

Russian Federation made of precious metals in banks – residents of the Russian Federation – licensed to carry out banking operations.

8.9. Computer hardware, office appliances, vehicles, furniture, office and other equipment located in the Russian Federation, undue accounts receivable of legal entities and individuals (including sole proprietors) – residents of the Russian Federation.

8.10. Insurers' accounts receivable incurred as a result of direct settlement of damages in accordance with the compulsory motor TPL insurance laws of the Russian Federation.

8.11. Deferred tax assets arising from operations carried out in the Russian Federation.

8.12. Tax receivable (including advance payments and overpayments).

8.13. Interest (coupon, discount and other) income receivable from (accrued on) assets referred to in sub-clauses 6.1 - 6.3 of clause 6 hereof.

Interest (coupon, discount and other) income receivable from (accrued on) assets referred to in sub-clauses 6.4, 6.5, 6.7, 6.8, 6.11 and 6.13 of clause 6 hereof is deemed an asset located in the Russian Federation if the debtor (issuer or bank, respectively) is a resident of the Russian Federation.

9. Assets in which insurer's equity is invested should meet the requirements providing for the maximum permitted percentage of the value of each asset type or asset group in the value of insurer's equity or part thereof as specified in the exhibit hereto (hereinafter - the structural ratios).

The insurer is entitled to invest its equity in assets listed in clause 6 of this Instruction and meeting the requirements set forth herein, but not specified in the structural ratios, without regard to the structural ratios.

10. The insurer is entitled to invest its equity exceeding the amount specified in clause 5 hereof in any assets except the following:

documentary drafts;

bills of exchange issued to individuals;

bills of exchange issued by insurer's shareholders (members);

securities if it is known at the time of their purchase that the issuers (drawers) are undergoing a rehabilitation or bankruptcy procedure or subject to supervision, administration or receivership in accordance with the bankruptcy laws of the Russian, or the issuers (drawers) were subject to any of the above procedures during the previous two years;

accounts receivable of insured, reinsurers, reinsured, insurers (except insurers' accounts receivable incurred as a result of direct settlement of damages in accordance with the compulsory motor TPL insurance laws of the Russian Federation) and insurance agents involved in insurance, co-insurance and reinsurance;

insurers' share in claim reserves;

premium deposit for reinsured risks;

loans granted to insured under life insurance contracts;

loans granted to individuals.

11. Insurer's debt-to-equity ratio (including loans and borrowings received, in particular, through drawing bills of exchange, issuing and selling bonds) should not exceed 60 percent.

12. When assessing assets' compliance with the credit rating requirements for banks, reinsurers, issuers or issues of securities set forth in this Instruction, the rating should be not lower than the lower limit set by the Board of Directors of the Bank of Russia based on the classification of the rating agencies included in the Board's list.

13. Insurer can invest its equity or place them into trust for investing by a trustee registered in the Russian Federation.

In case of fiduciary management, insurer's equity should meet the requirements set forth herein.

14. This Instruction will be published in the "Bulletin of the Bank of Russia" and, according to the Board's decision of the Bank of Russia (minutes of the Board's meeting of the Bank of Russia dd. November 6, 2014 No. 32), will come into effect from the effective date of Order of the Russian Federation Ministry of Finance dd. July 2, 2012 No. 101n "On approval of requirements for composition and structure of assets assumed to cover insurer's own funds", registered by the Russian Federation



Ministry of Justice on July 31, 2012 No. 25050, January 28, 2013 No. 26721 (Russian gazette dd. August 15, 2012, dd. February 1, 2013).

15. The maximum permitted percentage provided for in line 20 of the Exhibit hereto is as follows:

50 % from July 1, 2015;

20 % from January 1, 2016.

16. Until December 31, 2014 inclusively, the amount of borrowed funds referred to in clause 11 hereof does not include the following borrowed funds received by insurers before September 30, 2012 inclusively:

purpose loans received to purchase shares (participatory interests) in another insurer or legal entities that own more than 50 percent of shares (more than 1/2 of participatory interest) of such insurer;

loans raised through issuing bonds, if the issuer or issue has a rating of one of the rating agencies, meeting the requirements of clause 12 hereof.

17. Insurer's equity can be invested in assets referred to in sub-clauses 6.2 - 6.5, 6.7, 6.8, 6.11, 6.13 of clause 6 hereof, even if they do not meet the requirements of the second paragraph of sub-clause 7.1, the second paragraph of sub-clause 7.2, sub-clause 7.5 of clause 7 hereof, within 180 calendar days of the effective date of this Instruction, if the insurer's equity or claim reserve funds were invested by the insurer in such assets before the effective date hereof.

18. Insurers should bring their assets in which insurer's equity is invested in compliance with this Instruction in terms of their composition and structure within 20 calendar days from the effective date hereof.

Chairman of Central Bank  
of the Russian Federation

E.S. Nabiullina

Exhibit  
to the Instruction of the Bank of Russia dd.  
November 16, 2014 No. 3445-U “Insurer’s  
Equity Investment Procedure and List of  
Assets That May Be Invested”

### STRUCTURAL RATIOS

Item	Types of assets in which insurer's equity may be invested	Maximum permitted percent
1	Value of government securities of the constituent entities of the Russian Federation and municipal securities	Not more than 45 % of the amount specified in clause 5 hereof
2	Value of government securities of one constituent entity of the Russian Federation	Not more than 40 % of the amount specified in clause 5 hereof
3	Cost of municipal securities of one local government administration	Not more than 40 % of the amount specified in clause 5 hereof
4	Maximum amount of cash on cash deposits, in particular, secured by certificates of deposit, and balances on impersonal precious metal accounts in banks	Not more than 60 % of the amount specified in clause 5 hereof
5	Amount of cash on cash deposits, in particular, secured by certificates of deposit, and balances on impersonal precious metal accounts in banks having a rating of one of the rating agencies not lower than the upper limit set by the Board of Directors of the Bank of Russia for classification of the rating agencies included in the Board's list	Not more than 60 % of the amount specified in clause 5 hereof
6	Amount of cash on cash deposits, in particular, secured by certificates of deposit, and balances on impersonal precious metal accounts in banks having a rating of one of the rating agencies not lower than the lower limit but lower than the upper limit set by the Board of Directors of the Bank of Russia for classification of rating agencies	Not more than 50 % of the amount specified in clause 5 hereof
7	Maximum amount of cash on cash deposits, in particular, secured by certificates of deposit, and balances on impersonal precious metal accounts in one bank	Not more than 25 % of the amount specified in clause 5 hereof
8	Value of shares	Not more than 20 % of the amount specified in clause 5 hereof
9	Value of bonds (except for government securities of the Russian Federation and government-guaranteed securities (in particular, through underwriting obligations arising from bank guarantees and/or sureties provided to secure the performance of obligations under above securities), government securities of the constituent entities of the Russian Federation, municipal mortgage securities)	Not more than 45 % of the amount specified in clause 5 hereof
10	Value of investment units of mutual funds	Not more than 10 % of the amount specified in clause 5 hereof

Item	Types of assets in which insurer's equity may be invested	Maximum permitted percent
11	Value of real property	Not more than 40 % of the amount specified in clause 5 hereof
12	Value of one real property object	Not more than 25 % of the amount specified in clause 5 hereof
13	Value of gold, silver, platinum and palladium ingots and commemorative coins of the Russian Federation made of precious metals	Not more than 15 % of the amount specified in clause 5 hereof
14	Value of mortgage securities	Not more than 10 % of the amount specified in clause 5 hereof
15	Value of assets referred to in sub-clause 6.14 of clause 6 hereof: computer hardware, office appliances, vehicles, furniture, office and other equipment, undue accounts receivable of legal entities and individuals (including sole proprietors)	Not more than 40 % of the amount specified in clause 5 hereof
16	Total value of assets, in which insurer's equity is invested, located outside the Russian Federation	Not more than 35 % of the amount specified in clause 5 hereof
17	Securities issued by international financial organizations and included in the List of Securities Eligible as Collateral of the Bank of Russia	Not more than 20 % of the amount specified in clause 5 hereof
18	Total value of securities (shares, bonds, etc.) issued by one legal entity	Not more than 10 % of the amount specified in clause 5 hereof
19	Value of securities issued by one bank, cash on deposits in particular, secured by certificates of deposit, balances on impersonal precious metal accounts, and cash held on accounts in the same bank	Not more than 40 % of the amount specified in clause 5 hereof
20	Total value of assets issued by related parties or placed (held) on accounts of related parties	Not more than 80 % of the amount specified in clause 5 hereof
21	Value of loans granted to subsidiary and associated companies	Not more than 15 % of the value of assets, in which insurer's equity is invested, exceeding the amount specified in clause 5 hereof
22	Value of loans granted to legal entities except those stated in line 21 of these structural ratios	Not more than 5 % of the value of assets, in which insurer's equity is invested, exceeding the amount specified in clause 5 hereof
23	Value of investments in intellectual property (except software and databases)	Not more than 2 % of the value of assets, in which insurer's equity is invested, exceeding the amount specified in clause 5 hereof
24	Value of promissory notes of legal entities, including credit organizations	Not more than 10 % of the value of assets, in which insurer's equity is invested, exceeding the amount specified in clause 5 hereof