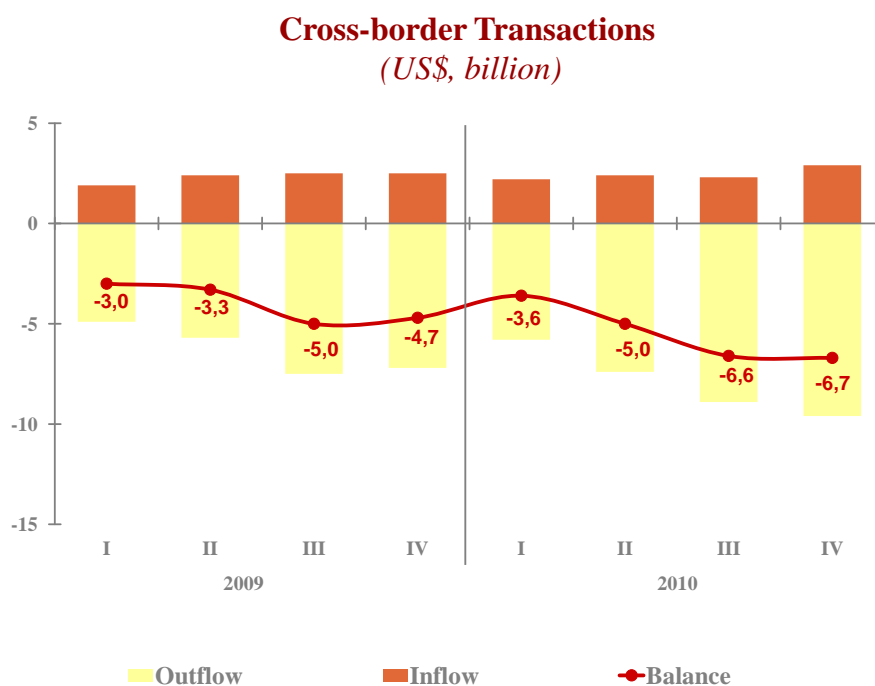


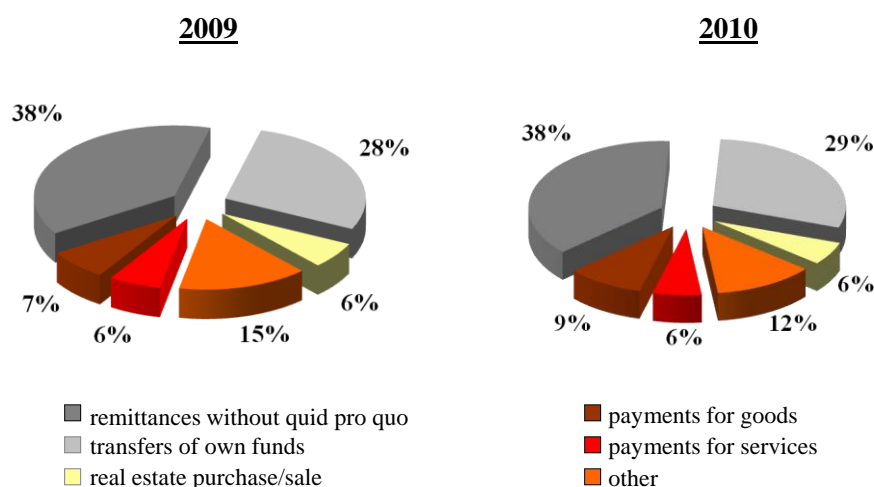
CROSS-BORDER TRANSACTIONS OF INDIVIDUALS IN 2010

Total **cross-border transactions of individuals** (residents and non-residents) increased by 20% in 2010 over 2009 to \$41.5 billion, which made 80% of the pre-crisis level of 2008. Money transfers carried out by individuals from Russia grew faster than incoming remittances from abroad (an increase of 25% and 6% respectively). The balance was negative at \$21.9 billion, or one-third larger than the imbalance of cross-payments in 2009 (\$16.1 billion).



Money transfers from individuals in Russia rose from \$25.4 billion to \$31.7 billion. More than two-thirds of the increase resulted from transactions by residents. Their remittances increased from \$14.7 billion to \$19.0 billion, and by 60% as a share of total transfers abroad. The relative growth of such transfers (by 29.6%) occurred faster than similar transactions made by non-resident individuals (by 18.9%). The total amount of funds transferred by non-residents out of the country amounted to \$12.7 billion and as a share of the total volume they dropped from 42% to 40%.

Money Transfers from Resident Individuals in the Russian Federation in Breakdown by Purposes in 2009-2010



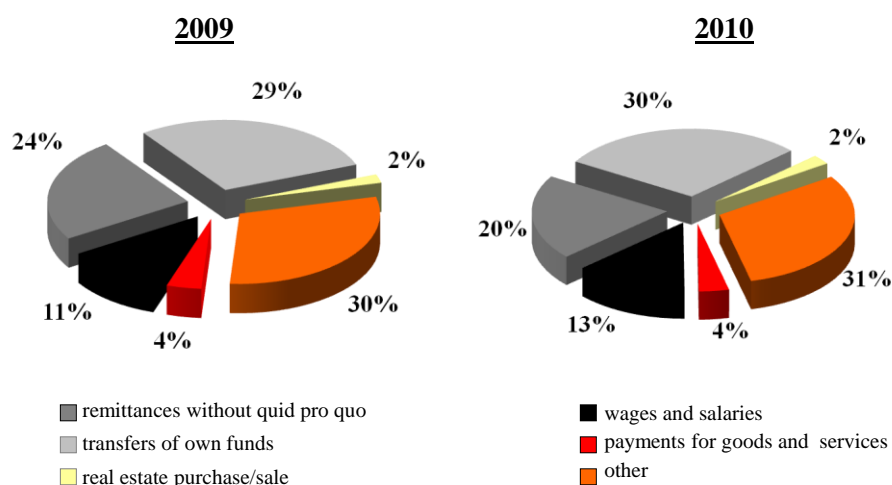
Remittances without quid pro quo represented the largest share (38%) of transactions by residents. They increased from \$5.5 billion in 2009 to \$7.2 billion in 2010. Such transactions were largely conducted via money transfer operators and as a share of remittances without quid pro quo they came close to 88%.

The second most important type (29%) of transfers made by residents of Russia to other countries was transfers of funds to their own accounts with foreign banks, which remained virtually unchanged compared with 2009 (\$5.6 billion). As in the previous year, half of all the funds were transferred to commercial banks in Switzerland, the United Kingdom, Spain, and Germany. The average size of a transfer to top up own accounts opened in these countries fell by 19% to \$94,000.

Payments for goods and services were up by one percentage point and a half to represent more than 15% of all transfers by resident individuals to other countries. In 2010, payments for goods increased 1.6-fold to \$1.8 billion, and for services by 24% to \$1.1 billion. In the meantime, purchases of goods through catalogues continued to decline in value: individuals transferred \$36 million (compared with \$46 million in 2009).

\$9.8 billion were transferred in favour of individuals in Russia in 2010 (compared with \$9.2 billion in 2009). Most of these funds (\$7.5 billion) were transferred in favour of residents of Russia whose share of the total incoming transfers to individuals equalled 76%. Money transfers to non-residents in Russia amounted to \$2.3 billion (24% of the total value).

Money Transfers in favor of Resident Individuals to the Russian Federation in Breakdown by Purposes in 2009-2010



Money Transfers in Favour of Resident Individuals in Russia in 2009-10 Broken down by Purpose

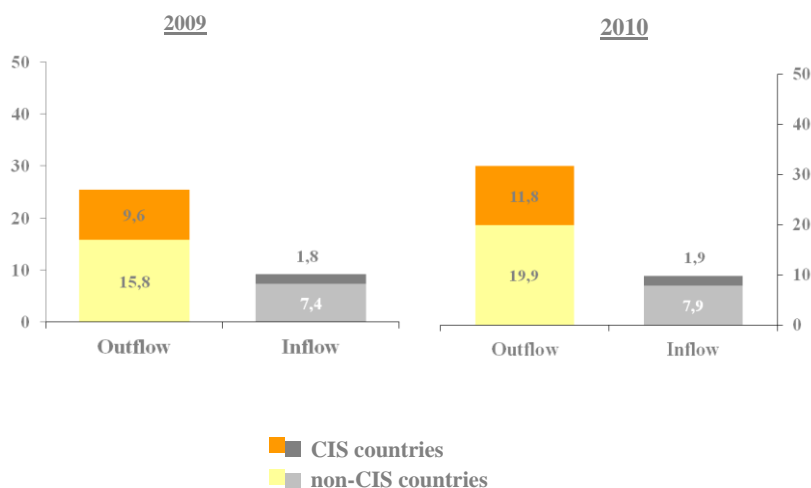
Funds remitted to Russia more often were transfers by individuals to their own accounts with Russian banks. Such receipts amounted to \$2.2 billion, or 30% of all transfers. More than \$0.8 billion came from commercial bank accounts in Switzerland and another \$0.3 billion from the United Kingdom and Cyprus.

The second most important element was remittances without quid pro quo (\$1.5 billion), which showed negative growth in 2009-10. Their share dropped from 23% in 2009 to 20% in 2010. Like transfers out of Russia, most such transactions (89%) were handled via money transfer operators.

Wages, bonuses and other employment contract transfers exceeded \$1.0 billion. They increased by 24% during the year. As a result, this fast growing category accounted for 14% of funds arriving in favour of resident individuals.

Non-CIS countries continued to prevail in the geographical breakdown of cross-border transfers. They increased by 20% on 2009, adding up to more than \$27.8 billion. Such cross-border transfers to and from CIS countries amounted to \$13.7 billion. The regional breakdown of transfers from Russia hardly changed, with 37% of the total transferred to CIS countries and 63% to non-CIS countries. The structure of transfers from abroad also remained unchanged, with 81% coming from non-CIS countries and 19% from CIS countries.

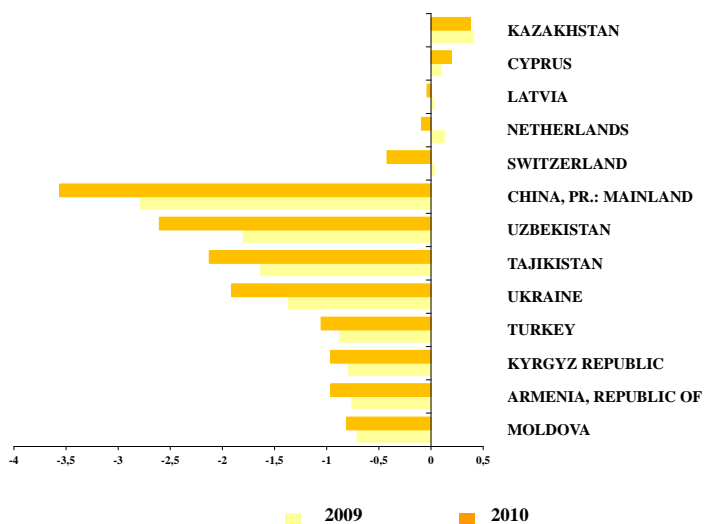
Regional Breakdown of Cross-Border Transactions in 2009-2010 (US\$, billion)



As in previous years, the balance of transactions of individuals was negative both with non-CIS countries and with CIS countries. With transfers abroad growing faster, the net outflow of funds from Russia to non-CIS countries increased to \$12.0 billion and to CIS countries, to \$9.9 billion.

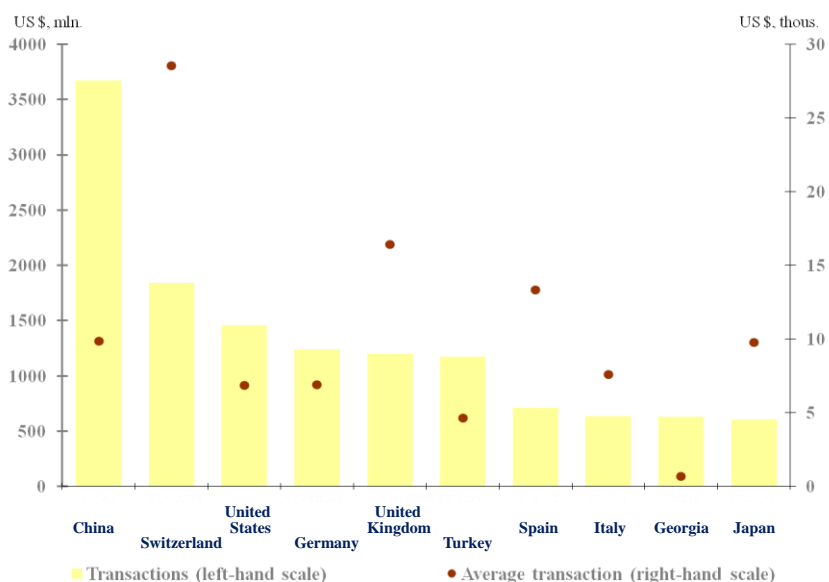
The largest bilateral deficit was recorded with China: \$3.6 billion. It was due to a rapid increase in remittances by individuals to that country amid a growing inflow of imported goods. Increased remittances from resident individuals temporarily employed in Russia contributed to higher imbalances with Uzbekistan, Tajikistan, Ukraine, Kyrgyzstan and Armenia (a total of \$8.6 billion). Countries with which Russia had small positive margins of cross-border transactions of individuals shrank from five to two: Kazakhstan and Cyprus. A year earlier, they had included Switzerland, the Netherlands, and Latvia.

**Cross-border Transactions by Individuals
(Residents and Non-residents) by Country in 2009-2010
(US\$, billion)**



China, Uzbekistan, Tajikistan, Ukraine and Switzerland were among the largest recipients of funds from individuals in Russia. Transfers to each of these countries added up to more than 5% of the total outgoing payments. Together, they accounted for 40% of all transfers abroad.

Top 10 Recipient-Countries in 2010



The leading destination for transfers from Russia was China, with funds remitted there increasing from \$2.9 billion in 2009 to \$3.7 billion in 2010, and with the average amount of a transaction dropping by 8% to \$9,900. More than half of the funds transferred to that country originated in three constituent entities of the Russian Federation: the Amur, Novosibirsk and Sverdlovsk Regions. The bulk was remitted by non-resident individuals.

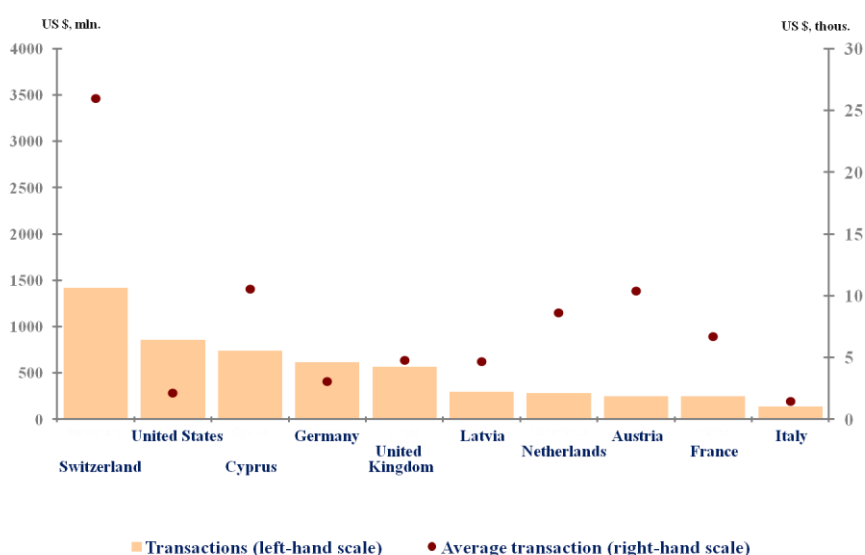
Uzbekistan, Tajikistan and Ukraine were transferred 35% more funds than in the previous year, \$7.3 billion. Remittances from individuals to households in those countries were small for the most part: an average transfer equalled \$581, \$384 and \$576 respectively. For all of the above countries, the ratio of transactions by resident and non-resident individuals was about the same.

Funds transferred from Russia to Switzerland were worth \$1.8 billion, including \$1.3 billion transferred by resident individuals to their accounts with Swiss commercial banks. Non-resident funds represented no more than one-sixth.

In 2010, transactions averaging over \$10,000 per transfer from Russia were destined for Hong Kong, Switzerland, the Netherlands, the United Kingdom, Spain, and France. In all, about 16% of total transfers went to those countries. A year earlier, such sample by size of remittance also included China and Austria, with the entire group of countries representing more than 30%.

Half of all incoming transfers to Russia originated in six countries: Switzerland, the United States, Cyprus, Kazakhstan, Germany, and the United Kingdom.

Top 10 Donor-Countries in 2010



In 2010, \$1.4 billion came from Switzerland, including more than half as own funds transferred by resident individuals from accounts with Swiss banks to bank accounts in Russia. The amount per transaction averaged \$26,000.

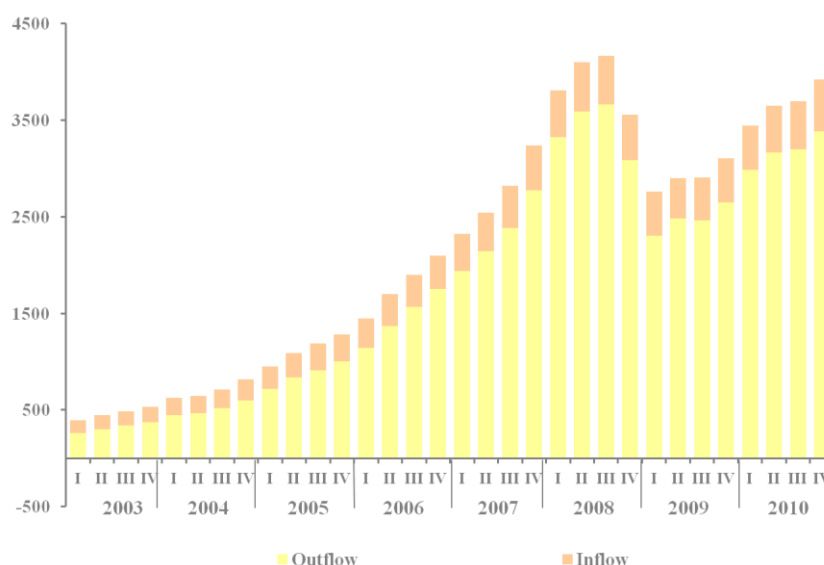
As in 2009, the United States ranked the second in terms of funds transferred to individuals (\$0.9 billion), with an average transaction of \$2,100.

Transactions averaging more than \$10,000 per transfer to individuals in Russia originated in Switzerland, Cyprus and Austria, adding up to a total of \$2.4 billion (a quarter of all incoming funds). In 2009, Switzerland was the only country with the amount per transaction greater than the said average.

Cross-border remittances via money transfer operators,¹ being part of cross-border transactions of individuals, accounted for 40% of outgoing transfers by individuals in 2010 (39% in 2009), and 20% of incoming transfers from abroad (19%). Remittances via money transfer operators reached their peak (\$15.7 billion) in 2008, having increased more than eight-fold from the initially observed level in 2003. But when the financial crisis came to a head in 2008 Q4 through 2009 Q1, remittances both going out and coming to Russia fell visibly.² There was both a drop in the average amount per transaction in equivalent US dollars, and in the total number of transactions. In the post-crisis period, growth patterns fell back into place: money transfers increased from \$11.7 billion in 2009 to \$14.8 billion in 2010. This was partly due to customer service networks expanding as the infrastructure of money transfer operators made progress (the number of service outlets, including terminals, exceeded 245,000). As a result, despite the less robust expansion of these systems abroad, Russia accounted for 24% of all service outlets, including terminals, in 2010 (as against 13% in 2008).

The majority of money transfer operators imposed additional restrictions defined by their internal rules. Typically, a limit was set on the maximum amount per transfer or, less frequently, on the number of transactions per day; in some cases, a document indicating the purpose of the transfer was to be presented.

**Cross-Border Remittances by Individuals via MTOs
(Seasonally adjusted)
US\$, million**



In 2010, *remittances from Russia* grew by 29% to more than \$12.8 billion, and *to Russia* by 11% to \$2.0 billion.

More than half of all incoming remittances³ were remittances from people employed abroad to support their families in Russia. Other important elements were funds provided to cover the running expenses of foreign citizens in Russia, and one-off gifts to relatives (13% of all remittances handled via

¹ Money transfer operators in Russia include: Anelik, BLIZKO, Coinstar Money Transfer, Contact, InterExpress, Migom, MoneyGram, PrivatMoney, UNISStream, Western Union, AziyaEkspress, ALLURE, Blitz, Bystraya Pochta, Zolotaya Korona, LEADER, and Pochta Rossii.

² Excluding a seasonal factor.

³ Remittances made via money transfer operators were distributed by category following an additional survey by the Bank of Russia.

money transfer operators). Remittances by individuals to other countries were dominated by funds transferred by people employed in Russia to support their families living abroad (79%).

CIS countries prevailed both in outgoing and incoming transfers: \$11.1 billion from Russia (86% of remittances made via money transfer operators and 94% of total remittances to CIS countries), and \$1.2 billion to Russia (63% and 66% respectively). Individuals transferred \$1.8 billion to non-CIS countries and received \$0.7 billion from those countries.

As in 2009, key recipients of remittances from Russia were Uzbekistan (22%), Tajikistan (17%), Ukraine (14%), Kyrgyzstan (9%), and Armenia (8%). Among sending countries, the leaders were Kazakhstan (16%), Uzbekistan and Ukraine (11% each), the United States (8%), and Kyrgyzstan (6%).

The distribution of remittances by country was marked by a high degree of concentration. The five largest sending countries accounted for more than half of funds received by individuals in Russia and the top five recipient countries received 70% of remittances dispatched from Russia.

Remittances via MTOs by Country in 2010

Transfers from Russia	US\$ million	Share, %	Transfers to Russia	US\$ million	Share, %
Total	12,835	100	Total for all countries	1,975	100
UZBEKISTAN	2,845	22	KAZAKHSTAN	321	16
TAJKISTAN	2,216	17	UZBEKISTAN	227	11
UKRAINE	1,809	14	UKRAINE	219	11
KYRGYZSTAN	1,106	9	UNITED STATES	158	8
ARMENIA	1,018	8	KYRGYZSTAN	120	6
REPUBLIC OF MOLDOVA	845	7	ARMENIA	105	5
AZERBAIJAN	794	6	TAJKISTAN	83	4
GEORGIA	566	4	CHINA	63	3
CHINA	550	4	AZERBAIJAN	62	3
KAZAKHSTAN	247	2	BELARUS	55	3
Other countries	839	7	Other countries	562	28

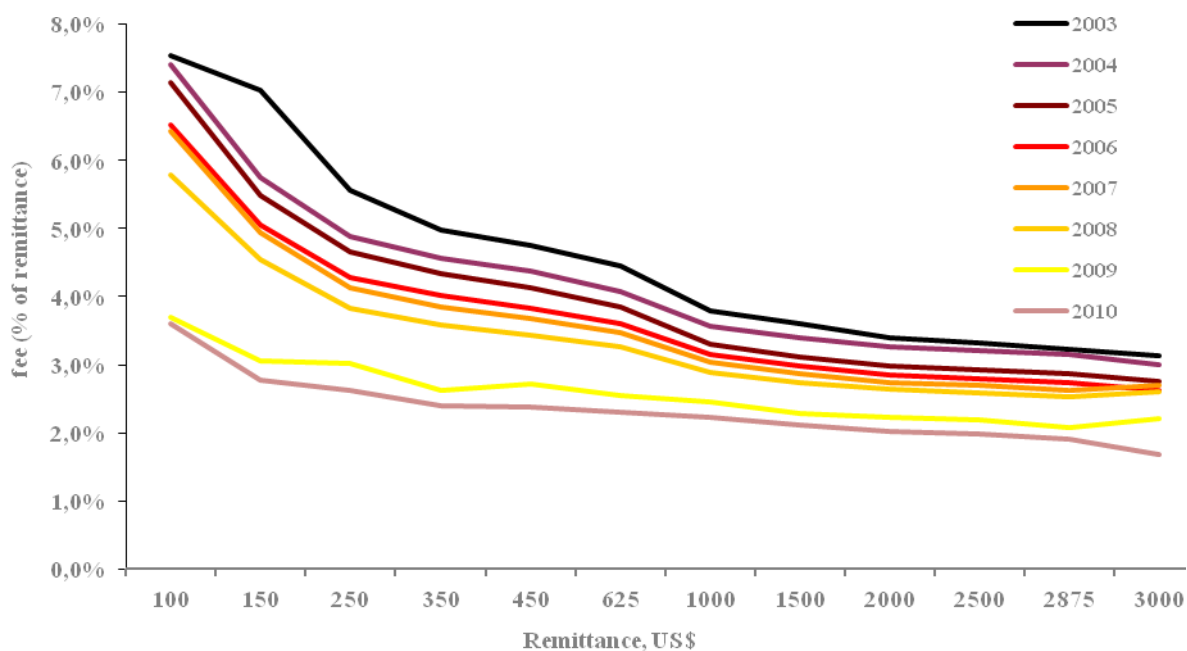
An average remittance from Russia increased by 1.5% as compared with 2009 to \$521. An average remittance to individuals in Russia grew more - by 6.3% to \$625. The ratio between the average remittance from non-CIS countries and the average for CIS countries dropped to two-fold: \$957 and \$486. There was a slight difference in the average amounts of transfers to non-CIS countries and CIS countries: \$645 and \$616.

Average Amount of a Cross-border Transaction via MTOs in 2009-10

	2010	2009
Remittances from Russia, total (US\$)	<u>521</u>	<u>513</u>
to non-CIS countries	957	1,099
to CIS countries	486	483
Remittances to Russia, total (US\$)	<u>625</u>	<u>588</u>
from non-CIS countries	645	607
from CIS countries	616	576

Tougher competition on the remittance market among operators contributed to the persistent trend of diminished service fees continuing in the reporting period. The Bank of Russia estimates that the average fee charged for a money transfer abroad dropped to an all-time low in 2010 since the observations had commenced, to 2.3% of the remittance sum, which was half the 2003 fee. Thus, with the average remittance from Russia of \$521, the average fee was about \$12.

*Average Fee
(charged for a remittance from Russia via MTOs)*



Weighted for the share of a particular MTO in the annual volume of remittances from Russia

The outlook for this segment of the financial services market will depend in the coming years on improvements made to Russian legislation in general and on the implementation of high-tech services, including the infrastructure used to process electronic payments by using payment cards and mobile devices and Internet-based transfers. Experts estimate that this would help reduce cross-border money transfers by individuals using informal channels (importation/exportation of foreign currency and national currency in cash, including by agents) 1.4-fold.