

**Joint project of the National Bank of the Republic of Belarus
and Alliance for Financial Inclusion (AFI)
«Measuring Access to Finance:
Developing Evidence-based Access Policies in Belarus»**

Financial Inclusion Policy Survey in the Republic of Belarus

Survey Report

Minsk, National Bank of the Republic of Belarus

2012

Table of Contents

Introduction	3
1. Diagnostic assessment of pro-access policies and regulations	4
1.1. Pro-inclusion regulation and banking provisions	4
1.2. Promotion of access to the national payment system and other forms of payments (internet, m-finance)	8
1.3. Interest rate policy	12
1.4. Transparency and disclosure requirements	13
1.5. Consumer protection	18
1.6. Degree to which the present policies and regulations promote competition in the financial sector	20
1.7. Credit bureaus and collateral registry	23
1.8. Deposit insurance	25
1.9. Policies to increase access and use of financial services	28
1.10. Financial inclusion as a policy priority	30
2. Expert assessment of pro-access policies and regulations	35
2.1. Pro-inclusion regulation and banking provisions	35
2.2. Promotion of access to the national payment system and other forms of payments (internet, m-finance)	35
2.3. Interest rate policy	37
2.4. Transparency and disclosure requirements	37
2.5. Consumer protection	39
2.6. Degree to which the current policies and regulations promote competition in the financial sector	40
2.7. Credit bureaus and collateral registry	41
2.8. Deposit insurance	42
2.9. Policies to increase access and use of financial services	43
2.10. Financial inclusion as a policy priority	44
2.11. Participant views of select policies to promote competition, alternative methods of payment and financial literacy.	45
2.12. Cluster analysis	47
3. Pro-Access Policies Sub-Index	51
Conclusion	53
Annex	54

Introduction

Financial inclusion and access to finance for individuals and small businesses, balanced with systemic financial stability, are important drivers of socio-economic development. The extent to which financial regulation and policies facilitate financial inclusion is an important focus for research.

This study evaluates pro-access policies and regulations in Belarus and identifies the barriers and challenges to financial inclusion. It presents the outcomes of a diagnostic assessment and the expert's views on the effectiveness of the current regulations.

The diagnostic assessment was based on a survey of the policies regulations that may affect financial inclusion and use of financial services in Belarus, whether positively or negatively. The assessment covered ten key dimensions of pro-inclusion policies in Belarus, and its results are presented in Chapter 1 of this Report.

An expert review of pro-access policies and regulations was performed at the second stage of this study. The expert panel included 20 professionals from commercial banks, insurance companies, universities, research institutes, the National Bank, Ministries of Finance, Justice, and Economy, independent think tanks, Belarusian Banking Association, and media reporters specialising in economics and finance. The expert review was based on structured interviews with the members of the panel. The results are presented in Chapter 2 of this Report.

The second stage of the study also included a cluster analysis of the interview responses.

At the third stage of the study scores were computed on every policy dimension, along with the final score of the pro-inclusion policy subindex. The results are presented third chapter of this Report.

1. Diagnostic review of pro-access policies and regulations in Belarus

1.1. Pro-inclusion regulations and banking provisions

In Belarus, pro-inclusion regulations and banking provisions are prescribed by the following legal instruments:

1. Banking Code of the Republic of Belarus: Code of the Republic of Belarus (Law No. 441-3) of 25.10.2000, as amended by Law of the Republic of Belarus №132-3 of 14.06.2010, // KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012.

2. Regulation on state registration of banks and non-bank finance institutions and on licensing of banking operations: approved by the National Bank Governing Board Resolution No. 175 of 28.06.2001, as amended by the National Bank Governing Board Resolution No. 285 of 11.06.2012, // KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012.

3. Regulations on extension of credits by commercial banks and procedures for ensuring repayment /recovery of such credits: enacted by National Bank Governing Board Resolution No. 226 of 30.12.2003, as amended by National Bank Governing Board Resolution No. 409 of 10.08.2012, // KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 11.10.2012.

4. Regulation on financial safeguards for banks and non-bank finance and credit institutions: enacted by the National Bank Governing Board Resolution No. 137 of 28.09.2006, as amended by the National Bank Governing Board Resolution No. 285 of 11.06.2012 // KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012.

5. Regulations concerning reserve funds requirements for banks and non-bank financial institutions, enacted by the National Bank Governing Board Resolution No. 34 of 25.03.2009, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 12.10.2012.

6. Regulations on performance of cash transactions and payments in Belarusian Roubles in the territory of the Republic of Belarus and on repeal of certain resolutions of the National Bank Governing Board and of specific provisions of such resolutions, enacted by National Bank Governing Board Resolution No. 107 of 28.03.2011, as amended by National Bank Governing Board Resolution No. 136 of 27.03.2012 // KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO,

National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012.

Article 18 of the Banking Code specifies the following mechanisms of banking sector regulation:

- State registration of banks and non-bank finance institutions;
- Licensing of banking activity;
- Establishing controls and safeguards for banks and non-bank finance institutions;
- Banking norms and prudential requirements;
- Operational oversight, recording of violations of, and imposition of the sanctions provided by the Banking Code and other applicable legislation of the Republic of Belarus;
- Identifying instances of unlicensed banking operations and applying sanctions against the individuals or entities performing such operations.

Banking licenses shall be issued by the National Bank through a process prescribed by the Banking Code and the National Bank regulations enacted pursuant to the said Code. All licenses issued by the National Bank are recorded in the Banking Licence Registry.

The Regulation on prudential norms establishes the following minimum safeguards for banks and non-bank financial institutions:

- Minimum equity requirements for newly established or reorganised banks;
- Maximum in-kind contribution to the equity capital of a bank;
- Minimum regulatory capital requirement for existing banks;
- Sufficient regulatory capital requirement for existing banks;
- Bank liquidity ratios and norms;
- Maximum allowable credit risk per borrower/borrower group;
- Maximum credit risks ratio;
- Maximum allowable credit risk ratio per insider/insider group;
- Maximum allowable sum of credit risks per insider/insider group;
- Credit risk limits assigned to countries rated below A;
- Limits on bank participation in the equity of third-party firms;
- Exchange risk limitations;
- Limits on the ratio of individual deposits to limited-risk assets.

The following prudential norms are applicable to non-bank financial institutions:

- Minimum capital requirement for new or reorganised finance institutions;
- Minimum regulatory capital requirement;

- Limits on equity investments in a third-party firm;
- Exchange risk limits;

The equity capital of a new or reorganised bank, or non-bank finance institution shall be an amount in Belarusian roubles equivalent to at least 25.0 million Euros.

Property assets shall constitute no more than 20% of the equity capital of a bank or a non-bank finance institution;

The minimum regulatory capital requirement for banks or non-bank finance institutions accepting money on deposits shall not be below the equivalent of 5.0 million Euros, (15.0 million Euros from 1 January 2014, and 25.0 million Euros from 1 January 2015).

The following prudential requirements are applied to that banks have sufficient regulatory capital:

- Minimum regulatory capital ratio of at least 8%;
- Minimum fixed capital ratio of at least 4%;

- Maximum credit risk per borrower or borrower group, defined as the ratio of the total loan balance per borrower to total regulatory capital. Credit risk ratio per borrower may not exceed 25% the regulatory capital of a bank or non-bank finance institution. Equity capital requirements thus provide the tools for protecting depositors by keeping credit risks at acceptable levels.

Pursuant to the Regulation concerning provision of loans and securing repayment thereof (as amended by the National Bank Governing Board Resolution No. 409 of 10.08.2012, microloans are defined as loans extended through a simplified procedure. The amount of such loan may not exceed 15,000 base amounts on the day of the signing of the loan agreement.

The said regulation obligates banks to test the borrower's competence and financial solvency prior to the disbursement of the loan. After the test, the bank shall make the formal decision on extension of the loan, and such decision shall be in writing. The lending decision shall be documented in a format established by the bank's internal regulations.

The conditions of the loan shall be stated in the loan agreement. The loan agreement shall incorporate the loan principal, repayment provisions, interest, penalties, and other details.

The law also provides for the possibility of debt remission by the bank. Under Paragraph 21 of the said Regulation, the borrower's financial obligations under a loan agreement may be terminated by a competent organ of a bank if the debt balance is deemed to be insignificant or negligible.

Cash transactions among legal persons, branches and divisions thereof, and individual entrepreneurs are governed by the Regulations Concerning Cash

Transactions in Belarusian Roubles Performed within the Territory of Belarus.

Under the Regulation, the maximum amount of one cash transaction involving a legal person, a division or affiliate thereof, or an individual entrepreneur is limited to 300 base amounts inclusive of the bank commission. Under the Regulation, cash payments through banks by legal persons, divisions or affiliates thereof, and private entrepreneurs may not exceed 300 base amounts during any one banking day. Cash withdrawals from bank accounts held by legal persons, affiliates or divisions thereof, and private entrepreneurs may not exceed 300 base values during any one banking day.

The procedure for establishing a bank branch is governed by Article 86 of the Banking Code. Bank branches are deemed operational from the date when the relevant approval is secured from the National Bank. Requests for such approval shall be considered by the National Bank within 30 days of submission of the required documentation. The National Bank may deny approval of a bank branch for any of the following reasons:

- bank has been operating at a loss during three months preceding submission of the application and the supporting documentation;

- bank has not met the established prudential requirements during three months preceding submission of the application and the supporting documentation;

- proposed bank branch does not to meet the existing regulatory requirements or its establishment is inconsistent with the Bank's Charter;

- Bank has not followed the established procedure for opening a branch;

- Proposed candidates for the position of director and chief accountant have inappropriate qualifications or reputation.

Regulator's belief that the proposed point of service is redundant or 'undesirable' does not constitute grounds for denying its approval.

Overall, the existing rules and procedures make it possible to establish bank branches within predictable time periods and under standard procedures. The legislation also clearly specifies the grounds on which the regulator may deny approval of the proposed point of service.

A Bank's decision to supply of new services and products is based on its marketing strategy. Loan security requirements are determined by the bank and specified in the loan agreement signed individually with each client.

Pursuant to Resolution No. 34 of the National Bank Governing Board of 25.03.2009 "On reserve requirements applied to banks and non-bank finance institutions", reserves shall be created no later than the day of the annual report approval and may not fall below 5% of the equity capital. Reserve funds may be utilised to cover losses accrued in the current fiscal year or the previous years, or to supplement the equity capital of a bank or non-bank finance institution.

The existing reserve requirements do not restrict lending to low-income clients. Banks have the freedom to make independent decisions regarding microloan provision and acceptable loan security.

In sum, the existing prudential and regulatory norms do not preclude banks from supplying a wide range of services to customers. Their main objective is to secure safe functioning of the financial system. The services and products supplied by a bank are determined by its business and marketing strategy.

Score: 5. Pro-access/inclusion regulations exist and are effective and the current regulatory regime does not limit financial services to the poor

1.2. Promotion of access to the national payment system and other forms of payments (internet, m-finance)

One important national development objective is to secure effective, reliable and safe functioning of the payments system. Further progression of this system is expected, consistent with the uniform international standards, and reflecting improvements in macroeconomic performance and the evolving socio-economic needs.

In Belarus, access to the national payment system and other payment facilities is governed by the following legal instruments:

1. **Banking Code of the Republic of Belarus: Code of the Republic of Belarus (Law No. 441-3) of 25.10.2000, as amended by Law of the Republic of Belarus №132-3 of 14.06.2010,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012;**

2. **Approval of the National Payment System Development Concept for 2010 - 2015, National Bank Governing Board Resolution No. 29 of 26.02.2010. // KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**

3. **Regulations concerning performance of cash transactions and payments in Belarusian Roubles in the territory of the Republic of Belarus and on repeal of certain resolutions of the National Bank Governing Board and of specific provisions of such resolutions, enacted by the National Bank Governing Board Resolution No. 107 of 29.02.2011. as amended by National Bank Governing Board Resolution No. 136 of 27.03.2010, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**

4. **Approval of the IT Development and Utilisation Concept in the**

Banking System of Belarus for 2008 - 2012. National Bank Governing Board Resolution No. 115 of 27.08.2008, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

5. Approval of regulations on Banking Card Transactions. National Bank Governing Board Resolution No. 74 of 30.04.2004. as amended by National Bank Governing Board Resolution No. 401 of 27.03.2010, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012;

6. Utilisation of cash machines, payment terminals, automatic electronic devices, and vending machines; payments with bank cards and cash for goods and services, gambling, gaming and lottery activities. Resolution of the Council of Ministers and National Bank Governing Board 924/16 of 6.07.2011, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012;

7. Approval of regulations on performance of digital currency transactions. National Bank Governing Board Resolution No. 201 of 26.11.2003. as amended by National Bank Governing Board Resolution No. 414 of 29.09.2011, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012;

**8. Draft National Programme for 2012 - 2015 on Promotion of Non-cash transactions using modern electronic means and instruments of payment [Electronic Resource],
ww.nbrb.by/today/NPA_projects/Non_Cash_Payments.pdf.**

Pursuant to Articles 26, 32, and 33 of the Banking Code, the Functioning of the national payment system is regulated by financial transaction rules, tariff policies, standard liquidity management practices, and through operational data collection. Such regulation is the responsibility of the National Bank of Belarus. The National Bank defines the rules, standards and timeframes for performance of cash and non-cash transactions and determines sanctions for non-compliance.

In Belarus, payments for goods and services by individual customers are made with cash and non-cash instruments. The majority of retail transactions are made in cash.

Access to non-cash instruments remains limited for individuals above retirement age who receive their pensions in cash and reside in small settlements at significant distances from ATMs, automatic points of service, and bank

branches. As many of these clients do not use computers, they are unable to perform financial transactions via the Internet.

The most widespread non-cash payment instruments include: cards, digital currency, Internet banking, mobile banking, and other distance payment modes. Payments can also be made via the Joint Computerised Payment Facility.

Widespread use of banking cards for non-cash payments is mainly the result of large-scale implementation of debit card schemes for the payment of salaries and stipends, and the ongoing efforts by banks and other relevant stakeholders to expand the network of ATMs and automatic points of service.

The cards issued by Belarusian banks utilise the domestic payment system BelCard, and the international payment systems VISA and MasterCard. As of 1 July 2012, banking cards were being issued by 23 banks nation-wide.

At the beginning of 2012, six banks were selling digital currency. The following Available electronic payment systems included: EasyPay, Berlio, iPay, and OSMP, among others.

Banks have been actively promoting remote transactions, such as Internet banking, SMS banking, mobile banking and payments through the Joint Computerised Payment Facility.

Internet banking is a service that enables individuals and businesses to manage their accounts through an internet connection via a personal computer or a mobile phone. Internet banking refers exclusively to banking and payment services accessible to clients through the Internet. Internet banking systems enable clients it possible to conduct a wide range of bank account transactions, (except cash withdrawals), available 24 hours a day, seven days a week. Internet banking systems are indispensable for monitoring transactions with bank cards, as any debit to the client's account is immediately recorded in the account statement, and the client is immediately notified of all expenditures involving the account.

As of 14 May 2012¹, Internet banking services were being offered by 24 banks out of 32. However, the cost of adding and maintaining the service varied somewhat across banks. Twelve banks were offering free Internet banking services to individual clients as a means of expanding their client base.

For example, MTBank (ZAO) offers three different Internet banking packages to meet the needs of different clients. Internet Banking Lite is provided at no cost, while the standard package costs 50,000 roubles, and the professional package 100,000 roubles. MTBank charges no maintenance fees, regardless of the package.

Clients of BNB-Bank OAO pay no connection or maintenance fees for the first six months. Fees begin to be charged after six months of use, and are equivalent to \$1

¹ L.Tereshko Use of Internet capabilities by Belarusian banks. Bankovskiy Vestnik, Issue 6, p.p. 31 - 37.

per month at the National Bank rate.

The absolute majority of banks charge no connection fee from individual or corporate clients.

In addition to card transactions, some banks (such as PriorBank) enable clients to use Internet banking to access other products, such as credits, deposits, and current accounts.

Under Belarusian law, equal access to the national payments system is all population groups are entitled to equal access to the national payment system. As indicated by surveys of potential users of Internet banking in Belarus¹, the service is utilised most extensively by young people aged 20 - 29, while clients aged over 55 use it 'extremely rarely'. The majority of clients access the service from a personal computer at home or at work, and only 10% from a mobile phone. Most use the service to check their account balance, and pay their mobile phone, Internet and utilities bills.

SMS-banking is mostly used to conduct non-cash transactions, view the account balance and receive bank card blocking messages and other communications.

Most remote banking systems use two-factor authentication. Multifactor authentication is also common, particularly in Internet banking. Clients are provided with guidance on security prior to initiating services. Security advice is also posted on the web-sites of the banks providing the services.

The National Bank has published for comment the draft state programme and action plan for 2012 - 2015 on development of a non-cash payment system for retail trade based on modern electronic instruments. The drafts can be accessed at the official web site of the National Bank.

The programme seeks to support extensive use by the public of various electronic payment instruments and methods, including bank cards, digital currency, and remote transactions. It also encourages vendors to accept non-cash payments, and identifies expansion of non-cash payment instruments as a policy priority.

The Programme includes activities towards greater unity and security of the payment infrastructure, and better access to the appropriate equipment, such as automatic points of service (info-kiosks), and ATMs. All of these interventions are designed to minimise operational risks related to the conduct of non-cash payments for retail purchases.

Based on the above analysis of the existing legislation, current utilisation of various payment services and access to the national payment system and other methods of payment (Internet, mobile payments) is below potential. Belarus has a very low ratio of non-cash payments to total sales of goods (9.5%, as of 1 January 2012) and services (10.8%). Use of non-cash payment instruments and services is particularly limited among individuals above retirement age. In sum, this

dimension of access to finance can be assigned a score of 3: “access to the national payment system and other forms of payments (internet, m-finance) exists to some degree but not all potential channels are used and available to the majority of users”.

1.3. Interest rate policy

In Belarus, interest rate policies are governed by the following legal instruments:

1. Banking Code of the Republic of Belarus: Code of the Republic of Belarus (Law No. 441-3) of 25.10.2000, as amended by Law of the Republic of Belarus №132-3 of 14.06.2010,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

2. Selected issues concerning provision of government support to construction, renovation and acquisition of residential property by individuals. Edict of the President of Belarus No. 13 of 6 January 2012. as amended by Edict of the President of Belarus No. 184 of 17.04.2012, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

3. Provision to citizens of Belarus of reduced-interest loans towards the cost of a first higher education degree pursued at state institutions of higher education and institutions of higher education founded by consumer cooperatives and the Federation of Trade Unions of Belarus. Edict of the President of Belarus No, 616 of 17.12.2002. as amended by Edict of the President of Belarus No. 439 of 30.09.2011,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012.

The interest rates on loans or deposits may be fixed or variable. Variable rates are tied to the refinancing rate defined by the National Bank based on macroeconomic performance trends and development policy objectives. The difference between the rate applied and the refinancing rate is determined by the banks based on the current market conditions.

The interest rate and the schedule of repayment are specified in the loan agreement between the individual client and the bank.

Pursuant to Article 187 of the Banking Code, bank depositors shall be paid interest in the amount specified by the deposit agreement. The rate may be subject to change if both parties so agree, unless otherwise provided by the deposit agreement.

Under Article 145 of the Banking Code, a lender entering a contract with a

borrower is free to determine the rate of interest, the schedule for the payment of the principal and interest, and the fees related to the use of the loan, if such fees are provided by the loan agreement. Prior to the conclusion of the loan agreement, the lender shall be obliged to notify each borrower about the rate of interest and the applicable fees. As provided by the Regulations on the procedure for notifying clients about the loan conditions and the full amount of interest (approved by the National Bank Governing Board Resolution No. 173 of 13.11.2008), banks are obliged to disclose to clients the full interest rate on loans.

At present, the National Bank does not apply any interest rates ceilings on products supplied to individuals or small businesses. However, Article 31 of the Banking Code vests the National Bank with the authority to restrict, "under exceptional circumstances", the maximum and/or minimum interest rates on transactions with the funds deposited by physical and/or legal persons.

Some groups of the population are entitled to receive loans at reduced interest, defined in absolute terms, or as a percentage of the refinancing rate. This practice improves access to credit for the poor and supports a range of social policy objectives. Banks are compensated for the difference between the usual and the reduced rate of interest from public funds.

Thus, pursuant to the Presidential Edict No. 13 of 6.1.2012 "Selected issues concerning provision of government support to construction, renovation and acquisition of residential property by individuals" the interest rate on housing loans to parents with many children is 1%. Borrowers who reside and are employed in settlements with less than 20,000 residents pay interest in the amount of 10% of the refinancing rate existing on the data of approval of the privileged borrower lists, but no less than 3% per annum.

Pursuant to Edict No. 616 of 17.12.2002, interest payable on privileged loans towards the cost of a first higher education degree amounts to 50% of the existing refinancing rate.

In sum, the interest rates on loans are freely determined by the banks based on the market situation, and no interest rates ceilings are applied by the National Bank. Reduced interest rates are conducive to greater financial inclusion.

Overall rating: 5 (National Bank does not apply interest rate ceiling restrictions).

1.4. Transparency and disclosure requirements

Transparent and reliable information about financial performance and about the range and cost of financial services supplied by banks and non-bank finance

institutions are important prerequisites to building consumer trust and confidence in the banking system and, consequently, to expanding provision and use of services.

In Belarus, transparency and disclosure requirements are defined by the following legal instruments:

1. **Banking Code of the Republic of Belarus: Code of the Republic of Belarus (Law No. 441-3) of 25.10.2000, as amended by Law of the Republic of Belarus №132-3 of 14.06.2010,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**

2. **On advertising. Law of the Republic of Belarus No. 225-3 of 10.05.2007, as amended by Law of the Republic of Belarus №95-3 of 28.12.2009,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**

3. **On consumer rights protection Law of the Republic of Belarus No. 90-3 of 09.01.2002, as amended by Law of the Republic of Belarus № 253-3 of 02.05.2012,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**

4. **Approval of regulations concerning disclosure of information by banks and non-bank finance institutions. National Bank Governing Board Resolution No. 6 of 19.01.2006. as amended by National Bank Governing Board Resolution No. 54 of 16.03.2010, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**

5. **On approval of regulations concerning full disclosure of the loan conditions and interest. National Bank Governing Board Resolution No. 173 of 13.11.2008. as amended by National Bank Governing Board Resolution No. 207 of 23.12.2009, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**

6. **On insurance activity. Edict of the President of Belarus No. 530 of 25.08.2006. as amended by Edict of the President of Belarus No. 204 of 25.04.2012, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**

The law "On consumer rights protection" entitles consumers to information about the goods and services, and about the producers, suppliers and vendors thereof.

Information disclosure requirements are an important factor enabling consumers to exercise their right to free choice of a bank. These requirements specify, inter alia, the financial data subject to mandatory disclosure. Pursuant to Articles 34 and 119 of the Banking Code, banks are required to publish in designated ('official') media outlets current performance reports and audited annual reports.

Regulations concerning disclosure of information by banks and non-bank finance institutions (approved by the National Bank Governing Board Resolution No. 6 of 19.01.2006) obligates banks to provide, at no cost, the following information when requested by the client:

1. Name, location and official registration number (as indicated in the Uniform State Register of Legal Persons and Individual Entrepreneurs, data of official registration), banking licence details (number and date of issue, list of permitted transactions), information about the issue, withdrawal or renewal of the licence by the National Bank (including with regard to specific transactions), copy of the bank charter, equity capital size, office hours and telephone contacts.

2. Bank organisation and structure, including presence in the regions (Oblasts and Minsk City), including: name, location, office hours and telephone contacts of the bank branches, offices, divisions and points of service operating outside of the location of the bank's main office or permanent branches;

3. Bank's Board of Directors or Supervisory Committee: Names and full-time employment of the members;

4. Bank's Executive Board: Name, position and office hours of each member;

5. Structure of the banking holding of which the bank is a part, name and address of the holding's headquarters;

6. Data on Bank's compliance with the following prudential norms established by the National Bank:

- minimum equity capital at the beginning of the current month;

- minimum regulatory capital at the beginning of the current month;

- liquidity ratios (minimum and maximum for the previous month);

- deposit to assets low-risk asset ratio at the beginning of each month (applicable to banks licensed to perform individual deposit transactions);

These data should be presented in summary table format, indicating the prudential norms and requirements set by the National Bank and the Bank's current performance indicators showing compliance with such norms and requirements;

7. Available and required special reserves to cover losses from transactions and assets not shown on the balance sheet, at the beginning of each month;

8. Bank's ownership structure:

Banks established as unitary enterprises disclose the following owner information: Owner name and country of residence or location of the main office (if a

company);

Shareholders holding more than 5% of the bank's stock (subject to consent from these shareholders): Name and country of residence or location of the main office (if a company);

Beneficial owners (subject to their consent): Owner name and country of residence or location of the main office (if a company);

9. Annual and quarterly bank reports in a format established by the current legislation and regulations, and an auditor's statement confirming the accuracy of such reports;

10. Annual financial reports consistent with the international financial reporting standards, with an auditor's statement confirming the accuracy of such reports; The indicators subject to IFRC reporting are determined by National Bank Regulations concerning preparation of IFRC-compliant statements by banks;

11. Web site of the National Bank of Belarus;

12. Method used to calculate the full interest rate on loans, as defined by the National Bank regulations

13. Text of the National Bank regulation concerning disclosure of information by banks and non-bank finance institutions ("Regulation No. 6").

14. Data on fees payable for performance of banking and other related transactions.

Regulation No. 6 obligates banks to maintain web sites with the information listed in the Paragraphs 1 - 13 above, along with the other required by law.

Information listed in Paragraphs 1, 3, 4, 12 and 13 (except the Bank's Charter), the fee schedule and the Internet address should be displayed in public view in areas accessible to clients.

Customers are entitled to be notified about the terms of different deposit or credit products offered by the bank and the regulations concerning the bank's operations before signing the deposit or loan agreement.

Special requirements and norms apply to advertising of deposit products. Pursuant to Article 22 of the Law "On advertising" (No. 225-3 of 10.05.2007) any advertising of interest rate deposits should be accompanied by monthly or quarterly statements of the actual interest disbursements by account type for the past fiscal year.

Pursuant to the Regulation concerning full interest rate disclosure (enacted by the National Bank Governing Board Resolution No. 173 of 13 November 2008), banks and non-bank finance institutions are obliged to disclose all information about the loan conditions, including the full interest rate. Such information is subject to disclosure:

- when requested by a physical person or private entrepreneur when applying

for a loan, and prior to conclusion of the loan agreement or amendments thereto indicating the amount of the principal, interest and the payment schedule;

- when requested by a legal person applying for a loan, and prior to conclusion of the loan agreement or amendments thereto concerning the amount of the principal and the payment schedule;

Prior to the signing of a loan agreement or amendments thereto, the bank is required to share with the client the following information regarding the terms and conditions of the loan:

- Amount and currency of the loan;
- Term of the loan;
- Interest rate payable;
- Other costs to the borrower related to disbursement, servicing or repayment of the loan that follow from the provisions of the loan agreement or other agreements between the client and the bank, or are based on the schedule of fees and commissions applied by the said bank;

- Permitted uses (of a target-specific loan);
- Type of loan security;
- Loan repayment schedule, including repayment of the principal amount, interest, and the associated fees and commissions, if provided for by the loan agreement;

- Full interest rate on the loan, inclusive of any applicable commissions and fees related to disbursement, servicing and repayment of the loan;

- Fees included in the full interest rate and any additional fees, such as cash services fees and cash withdrawal commissions;

- Penalties payable by the borrower for failing to abide by the terms of the loan agreement;

- Whether the loan agreement permits early repayment, and how such early repayment shall be made;

The loan repayment schedule may indicate specific periods (monthly, quarterly, etc.) or dates by which the payments are expected.

Such information shall be provided by the bank following receipt from the applicant a statement on the desired amount of and currency of the loan, purpose of the loan, loan security, intention to utilise additional bank services related to receipt, servicing and repayment (such as use of a debit card). The format of the statement is defined by the internal bank regulations and depends on the type of the loan and its terms and conditions.

The applicant shall confirm receipt and understanding of the above loan information from the bank by signing a written form in person or through an authorised representative.

Pursuant to the Presidential Edict No. 531 of 25 August 2006 "On Insurance Activity", insurance providers are obliged to publish audited balance statements and financial reports. The timeframes and procedures for publication of such reports are detailed in the applicable legislation. Insurance providers are also obliged by the law to inform the client about the terms and conditions of the insurance contract before its conclusion.

In sum, national regulations contain clearly define the information to be provided to consumers by banks and non-bank institutions and the methods of communicating it to the client. Based on the above analysis of the regulations regarding transparency and information disclosure, such regulations can be described as "effective" and "conducive" to financial inclusion. Therefore, a score of 5 can be assigned to this aspect of financial inclusion.

1.5. Consumer protection

In Belarus, consumer protection is governed by the following legal instruments.

1. Banking Code of the Republic of Belarus: Code of the Republic of Belarus (Law No. 441-3) of 25.10.2000, as amended by Law of the Republic of Belarus №132-3 of 14.06.2010,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

2. On amendments and additions to the Banking Code of the Republic of Belarus: Law of the Republic of Belarus № 416-3 of 13.07.2012,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

3. On consumer rights protection Law of the Republic of Belarus No. 90-3 of 9.01.2002 // KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

4. On petitions from individuals and legal persons. Law of the Republic of Belarus № 300-3 of 18.07.2011,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

5. On application of the law by the courts in consumer rights cases. Resolution of the Supreme Court Plenum No. 4 of 24.06.2010, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre -

Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

The legal framework for consumer protection is generally in place. Its key components include the Law «On Consumer Rights Protection» № 90-3 of 09.01.2002 and the Law «On petitions from individuals and legal persons» №300-3 of 18.07.2011.

At present, however, several difficulties exist in the application of the Law "On Consumer Rights Protection" in cases involving users of deposit, credit and other financial services.

First, pursuant to Article 2 of the Law, its provisions govern relationships between clients on the one hand and suppliers, vendors, trade representatives, repair and maintenance organisations on the other. Such relationships shall arise from retail sales agreements, service, rent and insurance contracts, agreements on storage electricity provision, passenger carriage, etc., but not to financial services.

Second, financial services have specific attributes that limit the applicability of the Consumer Protection Law, although some of its general provisions can still be applied.

Supreme Court Plenum Resolution "On application of the law by the courts in consumer rights cases" (No. 4 of 24.06.2010) addresses some of the gaps and inconsistencies in this area. Paragraph 3 of this Resolution reaffirms applicability of consumer rights legislation to disputes arising from contracts that govern provision of banking services utilised by individual customers to meet their personal, household and other private needs, including, credit, time deposit and current account services.

The Law "On petitions from individuals and legal persons" governs the terms and procedures for the filing of petitions by individuals. Under Articles 7 and 9 of the above law reaffirm the right of complainants to file petitions and to present their case to an official in a face to face interview. The law requires that legitimate and legally grounded measures be taken in response to the petition, and the complainant be notified of such measures. It is also a requirement that complainants be informed about the procedures to appeal the motions taken in response to the petition or the decision to reject the petition without a formal review. Article 17 allows up to 15 days for the review of most petitions, and 30 days for petitions that require further investigation and verification, unless otherwise provided by the relevant legislation. Official responses to a petition, or a decision to leave the petition without review, may be appealed to a higher authority or the court.

The Banking Code gives banks the freedom to draft the terms of the agreements, while also providing some important safeguards. For example, Article 186 of the Banking Code entitles individual deposit holders to early withdrawal funds from a time or conditional deposit. This entitlement does not apply to individual

entrepreneurs. The financial institution is obliged to repay the client the full balance on their deposit account within five days of the receipt of the relevant request from the client.

Most complaints from retail clients are about high interest rates (resulting from high commissions), banks' unilateral decisions to change the interest rate on loans or deposits, or the penalties applied in the event of early loan repayment.

In order to reduce the number of complaints, the National Bank of Belarus is working to improve disclosure to individual clients of the terms of the services provided to them. As provided by the Regulations on the procedure for notifying clients about the loan conditions and the full amount of interest (approved by the National Bank Governing Board Resolution No. 173 of 13.11.2008), banks have the obligation to disclose the full interest rate on the loan. Such disclosures shall be made at the client's request upon submission of the loan application, and automatically before the signing of the loan agreement or amendments thereto, affecting the size of the client's financial liability and the repayment schedule. Pursuant to Part 2 of the Banking Code's Article 137, borrowers could be obligated by the loan agreement to pay commissions and other charges related to the use of credit. This provision of the Code has been repealed.

At present, the main focus is on increasing financial literacy among users of services.

In Belarus, the National Bank and commercial banks act as guarantors of bank secrecy with respect to clients and correspondent banks (Article 121 of the Banking Code). Account and deposit information, including data on account ownership, number and owner identity and other details, and information on specific transactions, or transactions performed without opening an account, as well as on articles deposited for safekeeping shall be subject to bank secrecy and may not be disclosed.

Overall, the current regulations and policies are effective in providing protection for consumer of financial services due to lack of dedicated regulations and specific safeguards. To a degree, this deficiency acts as a limitation to financial inclusion.

Score: 3: regulations exist and are effective, with relatively few obstacles

1.6. Degree to which the current policies and regulations promote competition in the financial sector

At present, competition in the financial sector is governed by the following legal instruments:

1. **Banking Code of the Republic of Belarus: Code of the Republic of Belarus (Law No. 441-3) of 25.10.2000, as amended by Law of the Republic of Belarus №132-3 of 14.06.2010,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
2. **Civil Code of the Republic of Belarus: Code of the Republic of Belarus (Law No. 218-3) of 7.12.1998, as amended by Law of the Republic of Belarus №132-3 of 03.07.2011,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
3. **Minimum the equity capital requirement for banks National Bank Governing Board Resolution No. 249 of 28.05.2012, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
4. **On state registration of economic entities. Regulation No. 1 of 16 January 2009 as amended by Decree of the President of Belarus No. 5 of 27.06.2011, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
5. **On liquidation/discontinuation of the activity of economic entities Regulation No. 1 of 16 January 2009 as amended by Decree of the President of Belarus No. 5 of 27.06.2011, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
6. **On state registration of banks and non-bank finance and credit institutions and on licensing of banking operations: Regulation No. 175 of 28.06.2001 as amended by National Bank Governing Board Resolution No. 285 of 11.06.2012, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
7. **Quotas for foreign participation in the banking system of Belarus. National Bank Governing Board Resolution No. 129 of 1.00.2008, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
8. **On commercial partnerships. Law of the Republic of Belarus No. 2020-3 of 09.12.1992, as amended by Law of the Republic of Belarus № 168-3 of 15.07.2010,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002.**

Retrieved on 09.10.2012

9. Regulation concerning prudential norms for banks and non-bank finance and credit institutions: Regulation No. 137 of 28 September 2006 as amended by National Bank Governing Board Resolution No. 285 of 11.06.2012, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

10. Criteria and procedures for assessing solvency of insurance providers. Regulation No. 73 of 10 May 2007 as amended by National Bank Governing Board Resolution No. 8 of 10.01.2012, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

Section 3 of the Banking Code of Belarus addresses state registration of banks and other financial organisations (including banks and organisations with foreign participation), licensing of banking activities, and bank reorganisation and closure.

The procedures for bank registration and closure, and the legal status of banks are further detailed in Civil Code of the Republic of Belarus, Regulation on registration of economic entities, Regulation on liquidation of economic entities, and the Law "On Economic Partnerships".

Pursuant to the National Bank Governing Board Resolution No. 249 of 28 May 2012, the minimum bank equity requirement has been raised from 5 million to 25 million Euros. This measure is expected to further improve the stability and reliability of banks relative to other suppliers of financial services while also raising the standards of bank operations.

The aim of the Regulation concerning prudential norms for banks and other financial institutions is to maintain stability and reliability of the banking system.

Current regulations permit the presence of different types of financial institutions. As provided by Article 6 of the Banking Code, financial and banking sector actors shall include the National Bank, commercial banks and non-bank finance institutions.

The present regulations also permit the entry and operation in the domestic financial market of foreign financial institutions. However, Article 90 of the Banking Code of Belarus establishes a quota for foreign participation in the Belarusian banking sector. It present, it is set at 50% of the total bank equity capital (pursuant to Resolution No. 129 of 1.09.2008).

The National Bank shall suspend registration of banks with foreign participation once the established quota has been reached.

The National Bank may also block further investment in bank equity by non-residents and sale of bank stock to foreign if this results in the quota being exceeded. There were 27 banks with foreign participation as of 1 October 2012, including nine foreign-owned.

In collaboration with the government, the National Bank is drafting specialist regulations and policies on microfinance organisations. In its present state, the finance market is not fully responsive to demand for services from individuals and small businesses. In Belarus, economic actors do not need a licence to perform borrowing and lending transactions. This situation is potentially conducive to proliferation of financial pyramids and loan-sharking by lombards, offering credit on significantly more onerous terms as compared to banks. Internationally, microfinance institutions have a proven record of being more responsive to the needs of small business than banks. Belarus could benefit from this experience to build a more demand-oriented financial sector.

Based on the above survey, the present policies and regulations can be assigned a score of 4. The relevant policies are in place and have been effectively applied, but certain aspects of competition policies have been given relatively little attention.

1.7 Credit bureau and collateral registry

Regulations and policies concerning credit bureaus and collateral registries are contained in some of the following legal instruments.

1. On credit records. Law of the Republic of Belarus № 441-3 of 10.11.2008,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

2. On the upkeep and maintenance of credit records and access to credit reports. National Bank Governing Board Resolution No. 67 of 27.05.2009. as amended by Resolution No. 499 of 04.11.2011,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

3. Amendments and additions to Edict No. 277 of 28.04.2006. Edict of the President of Belarus No. 583 of 11.11.2010, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

4. Select measures to secure implementation of the Edict of the President of Belarus No. 583 of 11.11.2010. Council of Ministers Resolution No. 1798 of 10.12.2010, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO,

National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

5. Joint computerised payment facility in Belarus. Edict of the President of Belarus No. 389 of 30.08.2011, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

6. Approval of regulation on sharing and accessing bans information on fulfilment by physical and and legal persons of financial obligations to providers of utilities and communication services, to banks and retailers. National Bank Governing Board Resolution No. 193 of 26.04.2012, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

In Belarus, the credit registry is maintained by the state and administered by the National Bank. The registry's operation is governed by the Law "On Credit Histories" (No. 441 of 10.11.2008) and the National Bank Governing Board Resolution No. 67 of 17.05.2009 "Establishment and maintenance of credit histories and submission of credit reports".

Credit histories are compiled on physical persons, individual entrepreneurs, legal persons (except banks), and foreign entities that have been parties to loan agreements with commercial banks or the National Bank of Belarus.

Because the purpose of the credit registry is to reduce credit risk, make the banking system more efficient and effective, and strengthen incentives for legal and physical persons to comply their financial obligations, credit histories are primarily based on the information supplied to the National Bank by the banks. The registry maintained by the National Bank does not include information from retailers or suppliers of utilities services. Informants covered by the relevant legislation have the duty to provide to the National Bank the complete set of details to be included in the credit history, including details on loan agreements.

Credit histories contain key credit data, such as number and date of the credit agreement, currency and amount of credit, date of repayment, loan security, amount due, amount of overdue payments, payment of interest and fees, and date of termination of the credit agreement. Access to this data will enable credit history users to obtain complete information about the prospective borrower's indebtedness and credit worthiness.

Credit history records shall be kept by the National Bank for 15 years from the expiry of the credit and full repayment of the debt by the client. After 15 years, such records shall be deleted. A credit history record can also be deleted after 45 years from the last entry of data on the relevant credit transaction.

Pursuant to Article 13 of the Law «On Credit Histories», customers may request copies of their credit reports. Customers are entitled to one free report in a calendar year. All subsequent reports shall be provided for a fee.

Mandated informants are obliged to submit the relevant details to the credit registry no later than ten days of performance of a reportable transaction.

At present, systems are being put in place to ensure establishment of an adequate and operational collateral registry at the national level. Pursuant to the Council of Ministers Resolution No 466 of 30.03.2010, an integrated data bank of encumbered assets has been established. This resource includes data on immovable property (land, capital buildings), incomplete capital construction projects, detached premises, enterprise asset complexes, motor vehicles, and stock portfolios.

The procedures for reporting information about owners of encumbered stock portfolios are defined by the Presidential Edict No. 277 of 28.04.2006, as amended by Edict No. 583 of 11.11.2010, and the Council of Ministers Resolution No. 1798 of 10.12.2010 r. № 1798 «Selected measures to support implementation of the Presidential Edict No. 583». Pursuant to this legislation, notifications shall be made to the National Stock Depository, which shall relay such information to the integrated collateral registry. Data on encumbered property and stock portfolios shall be made available upon request to banks, non-bank financial institutions and leasing companies.

The registry of individual consumer liabilities to retailers, providers of utilities and communication services and banks is based on data from the Joint Computerised Payment Facility. The registry is being developed pursuant to the Presidential Edict No. No. 389 of 30.08.2011 and and the National Bank Governing Board Resolution No. 389 of 30.08.2011 («Approval of regulations on reporting information on financial liabilities of individual customers to providers of utilities, communication services and banks»). Work is under way to inform potential users about this resource. It should noted, however, that progress towards an operational collateral registry has been long and difficult.

Overall, Belarus has established an operational credit bureau based at the National Bank. This has been an important pro-inclusion measure. However, regulations on the loan collateral agencies are still under development.

Assessment score: 3 (credit bureau/collateral registry is weak in some aspects).

1.8. Deposit insurance

Access to safe and affordable small savings accounts and deposit insurance are important aspects of financial inclusion. Deposit insurance schemes promote access to finance by increasing trust in the banking system.

In Belarus, deposit protection is governed by the following legal instruments.

1. **Constitution of the Republic of Belarus, as amended by Decision of the National Referendum of 17.12.2004 № 1// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
2. **Banking Code of the Republic of Belarus: Code of the Republic of Belarus (Law No. 441-3) of 25.10.2000, as amended by Law of the Republic of Belarus №132-3 of 14.06.2010,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
3. **On guaranteed repayment of bank deposits owned by physical persons. Law of the Republic of Belarus No. 269-3 of 8.07.2008. as amended by Law of the Republic of Belarus № 41-3 of 14.07.2009,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012**
4. On protection of individual savings deposited in bank accounts. Decree of the President of Belarus No. 22 of 4.11.2008, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012;

In Belarus, deposit protection is only available to physical persons, and not to individual entrepreneurs or legal persons. The latter two categories of clients are advised to buy insurance against commercial risk from an insurance provider.

Under Article 44 (4) of the Constitution, the state shall encourage private savings, including through deposit protection.

Article 120 of the Banking Code contains a similar provision.

Pursuant to Article 1 (1) of the Presidential Decree No. 22 of 04.11.2008 («Individual deposit protection»), the state shall guarantee protection of individual deposits in local or foreign currency opened at any bank within Belarus. The full amount shall be repaid in the currency of the deposit if the general banking or deposit licence is withdrawn from the said bank by a decision of the National Bank of Belarus.

Deposit repayment procedures are detailed in the Law «On individual deposit protection in Belarus» (№ 369-3 of 08.07.2008).

Under Article 2 of the Law, liability to repay the individual deposit is assigned to the Deposit Protection Agency.

All banks and non-bank financial institutions performing individual deposit transactions must register with the Agency.

The Agency operates as a non-profit organisation with the status of a state

institution. The Agency: records and keeps a registry of banks licensed to perform deposit transactions, accepts and records requests for repayment of deposits, repays the deposits to individuals and performs other functions consistent with its mandate. The Agency's assets are financed, inter alia, by contributions from the National Bank and Council of Ministers, and the premiums paid by the registered banks to the national loan guarantee fund administered by the National Bank.

Banks are required under Article of the Law «On Guaranteed repayment of individual deposits»), banks are required to make non-returnable contributions to the Agency's reserve fund, comprised of the registration fee (0.5% of the bank's regulatory capital on the day of submitting the application to register with the Agency) and monthly fees (0.3% of the aggregate balance on individual accounts and deposits at the beginning of each quarter). - -

Under Article 5(1) of the Presidential Decree No. 22 of 4/11/2008, the National Bank shall contribute 80% of its annual profit, as reported in the audited annual balance statement, to the Agency's reserve fund.

When liable, the agency shall repay the owner 100% of the deposit regardless of its amount or number of accounts belonging to the said owner in the given bank. This guarantee, however, does not cover interest on the deposit. Notwithstanding receipt of the deposited amount from the Agency, the deposit owner is entitled to demand from the bank the difference between the amount repaid by the Agency and the full balance of the deposit inclusive of interest.

The repayment shall be made in the currency of the deposit, or in Belarusian roubles if so requested by the client. The rouble equivalent shall be calculated at the official rate of the National Bank or the cross-currency rates based on the National Bank rate valid on the first day of the Agency's obligation to repay.

The Agency's obligation to repay starts from the date when the affected bank is notified by the National Bank that its general banking or deposit licence has been withdrawn. Remarkably the agency's liability to return the bank deposit arises from the moment of withdrawal of the licence from such bank, and not from the moment of its bankruptcy. Because the difficult and time consuming nature of the bankruptcy procedure in Belarus, this provision offers additional protection to the individual deposit owner.

It should also be noted that the provisions concerning individual deposit protection have changed significantly over time. Previously, the return of individual deposits in foreign currency and in Belarusian roubles was secured by an individual deposit protection fund. The Fund's liability was limited to \$1000 per deposit holder in one bank, arose in the event of the bank's bankruptcy, and was conditional on the bank having undertaken all reasonable measures to recover outstanding debts and sell its assets to meet its liabilities to individual deposit owners. The initial version of the

law "On guaranteed protection of bank deposits" (No. 369-3 of 08.07.2008) also provided limitations on deposit insurance. Pursuant to this version of the Law, the Deposit Protection Agency was liable to return 100% of a deposit not exceeding the equivalent of Euro 5000, but had no liability for any amount above this limit.

The agency was obliged to publish details about the location and hours for accepting deposit repayment requests from individuals within three days of the date when its obligation to repay arised. Such details were to be published in national periodicals designated by the President of Belarus for official publication of National Bank regulations.

Claims from individual deposit holders are accepted by the Agency within two years from the date when its obligation to repay arose. This period may be extended under certain circumstances by a decision of the Agency's governing board.

All banks and non-bank financial institutions licensed to perform deposit transactions are required to participate in the deposit protection system.

Banks or non-bank financial institutions applying for a deposit licence to the National Bank are required to simultaneously apply for registration with the Deposit Protection Agency. A bank will shall be registered with the Agency and a relevant entry shall be made in the Agency's register upon approval of its licence application by the National Bank and the payment of the registration fee.

As of 1 October 2012, 26 banks out of 32 were licensed to perform deposit transactions.

The deposit protection system guarantees repayment of the principal amount of individual deposits regardless of the type of financial institution that provides deposit services. However, deposit protection does not cover individual entrepreneurs and legal persons. They are given the option to ensure themselves against commercial risks by entering a contract with an insurance company. As follows from the above analysis, the deposit protection system in Belarus may be assigned a score of 4 on a 5-point scale based on the following criteria: "Deposit insurance fund exists but covers half of savings market".

1.9. Policies to increase access and use of financial services

Policies on access and use of financial services are governed by the following legal instruments.

1. Banking Code of the Republic of Belarus: Code of the Republic of Belarus (Law No. 441-3) of 25.10.2000, as amended by Law of the Republic of Belarus №132-3 of 14.06.2010,)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of

Belarus. Minsk, 2002. Retrieved on 09.10.2012

2. On pension provision. Law of the Republic of Belarus No. 1596-XII of 17.04.1992, as amended by Law of the Republic of Belarus № 404-3 of 13.07.2012)// KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

3. On insurance premiums subject to inclusion on the cost of production and procedures for establishment by state insurers of preventive intervention financed by life, pension and medical insurance. Edict of the President of Belarus No. 219 of 12.05.2005, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

4. Approval of the National Payment System Development Concept for 2010 - 2015. National Bank Governing Board Resolution No. 29 of 26.02.2010, KonsultantPlus: Belarus [Electronic Resource]/«YurSpektr» OOO, National Legal Information Centre - Republic of Belarus. Minsk, 2002. Retrieved on 09.10.2012

5. Development strategy of the Belarusian banking sector for 2011 - 2015. National Bank Governing Board Resolution No. 73 of 3.03.2011, KonsultantPlus: <http://www.nbrb.by/publications/banksectordev10-15.pdf/> - Retrieved on: 09.10.2012.

In Belarus, proactive policies are in place to improve access to financial services. The existing payment system enables timely transactions throughout the territory of Belarus with goods standards of quality. A Joint Computerised Payment Facility has been launched.

Regulations have been enacted to further expand access to finance for individuals and small businesses.

The National Bank has approved a National Payment System Development Concept for 2010 - 2015 and a banking sector development strategy for 2011 - 2015.

In Belarus, the opening of simple 'no-frills' accounts is regulated by the Banking Code. Pursuant to Article 199 of the Code, a banks or non-bank financial institutions are under the obligation to establish a current account for any physical or legal person requesting the service subject to on standard terms and conditions.

There is no legal requirement that that social transfers be placed on the bank account of the beneficiary. Pursuant to Article 83 of the Law "On Pension Provision", pensions can be collected at post offices, banks, or in persons through delivery organisations, and the recipient has the free choice of the mode of delivery. Some banks are active in this market, and offer relevant services to potential clients.

In Belarus, pension savings schemes enjoy a certain degree of support,

including in the form of tax benefits. Pursuant to Article 1(1) of the Presidential Edict No. 219 of 12.05.2005, voluntary pension insurance premiums paid by organisations on behalf of their employees under contract with state-owned insurance providers may be included in the cost of production and are thus eligible to tax deductions. Such premiums are also deducted from the tax base for state-mandated social insurance. These deductions, however, are only applied if the insurance provider is a state-owned company.

In sum, a current account can be opened by any individual with minimum time costs. There is no legal requirement that social transfers to put on bank accounts opened in the beneficiary's name. However, the government has undertaken a number of steps in this direction.

Assessment score: 4-good government support.

1.10. Financial inclusion as a policy priority

Financial inclusion cannot be achieved unless there is good awareness of it as a policy issue, including at the top government level. As such, financial inclusion is not listed among the policy objectives. As a step in this direction, the National Bank presented in September 2012 an outline of the State programme on financial literacy promotion for 2013 - 2015. The document incorporates recommendations from the World Bank and reflects the experiences of countries that are already implementing financial literacy programmes, including Russia, Kazakhstan, Poland, United Kingdom, Brazil, and Malaysia, among others. If successful, the programme is expected to result in higher savings, increased provision of retail banking and individual insurance services, increased individual investments in the stock market, and larger share of non-cash transactions in the sales of services.

Financial literacy will lead to greater consumer awareness about a wider range of financial services, make financial markets more competitive, improve consumer financial management skills and, ultimately, strengthen financial stability and improve access to finance.

The Belarusian Fund for Financial Support of Entrepreneurs provides credit, microcredit and leasing services, among others².

The Law "On financial support of small and medium-sized enterprises" was enacted in 2010. Article 8 of this law lists financial support systems among the key priorities of SME support. Specific forms of such support are detailed in Article 10.

Several Belarusian banks participate in the small and medium-sized enterprise support programme of the European Bank for Reconstruction and Development

² <http://belbusinessportal.by/business/dokument/46-2009-03-28-07-35-56.html>

(EBRD). At present, the EBRD credit line offers some the most favourable lending conditions and procedures, in terms of the application processes, decision periods, and cost of credit.³

On 2 August 2012 the Council of Ministers announced plans to further simplify access of SMEs to state financial support. A new mechanism will be introduced to compensate to SMEs the costs related to production and marketing of goods and services for export. Such compensations will be paid by the Oblast, District and City Executive Committee, and the local administrations⁴.

The Council of Ministers Session on 8 August 2012 announced plans to introduce a grant scheme for SMEs active in the manufacturing industry. It has been proposed to permit the use of the grants to cover business start-up costs subject to a number of conditions. The Ministry of Economy has proposed to give Oblast executive committee the discretion to extend grants to manufacturing companies starting up new in-house production, if this results in new job creation. Eligible companies should be able to generate extra annual sales in the amount of at least \$60,000 per each new job created, and the amount of the grant should not exceed \$20,000 per recipient.⁵

However, according to surveys conducted by the Institute of Privatisation and Management's (IPM) research centre, a large proportion of Belarusian SMEs have concerns about their ability to compete with companies from Russia and Kazakhstan under the terms of the Common Economic Area agreements. As suggested by the IPM studied Belarusian SMEs are hopeful that Belarus' accession to the Common Economic Area will enable them borrow from banks in Russia and Kazakhstan on better terms than in Belarus. On the other hand, competitiveness of Belarusian SMEs may be negatively affected by higher tax rates effective in Belarus. Over one-third (34.4%) of the SMEs covered by the IPM study have named limited in-house budgets for product promotion as a factor that diminishes their competitiveness in the markets of the Common Economic Area countries. Many Belarusian companies are hoping to benefit from easier access to credit within the Common Economic Area by being able to borrow on better terms from banks in Russia and Kazakhstan.⁶

Internet search of the terms "Financial inclusion" and "access to finance" returned publications and comments based on the National Bank surveys of financial inclusion in Belarus.

Internet search was also performed of terms related to specific types of

³ http://www.neg.by/publication/2011_09_27_15175.html

⁴ <http://www.government.by/ru/content/4521>

⁵ http://www.belta.by/ru/all_news/economics/V-Belarusi-planiruetsja-vnedrit-sistemu-grantov-dlja-malogo-proizvodstvennogo-biznesa_i_605070.html

⁶ <http://www.interfax.by/news/belarus/117712>

financial services, including credit, insurance, savings and payment/cash transactions.

Below is a review of the search results for the term "access to credit".

On 12 April 2012, the daily newspaper Narodnaya Gazeta published proceedings of a roundtable on access to credit and over-indebtedness. Invitations to participate in the debate had been sent to experts in banking and economics.

Director of the National Bank's Chief Directorate for Banking regulation Sergey Kisel underlined that access to credit was determined not only by interest, but also by incomes. Improvements in salary levels are only possible through gains in productivity and exports, while interest rates cannot go down unless inflation is reduced. Director of the Retail Banking Division of BelVneshEconombank (BelVEB OAO) Igor Romanovsky remarked that access to credit is also affected by a range of other important factors beyond interest, such as the ease of securing the loan, the speed of handling the loan application, and the simplicity of procedures. Some credit products offered by banks are still accessible and affordable despite high interest, because they beneficial repayment terms and schedules.⁷

Commissioned by the Internet portal Tut.by, the journal "Business review" has compiled an Internet ranking of risks and potential threats to business in Belarus. The ranking includes 12 major threats, assessed for severity and impact by a panel of 12 leading economists and analysts. The ranking was published on 17 May 2012 at the Internet portal Tut.by. Limited access to affordable long-term was ranked by the panelists as the fifth most significant risk affecting Belarusian business. Economist Dmitry Kruk of the IPM research Centre remarked that due to its relativity, including in comparison with other countries, the cost of credit was a factor of secondary importance. Equitable access and lending periods were more important considerations. Borrower performance was negatively impacted by certain aspects of the Belarusian banking system, such as the predominant role of financial intermediation. According to economist Sergey Chalyi, this problem is of a long-term nature, as the difference in the cost of credit between Belarus and the neighbouring countries diminishes the competitiveness of local business. Alexander Chubrik, director of the IPM research centre underlined that government investments, including investments channelled through banks under state programmes, were primary sources of capital accumulation prior to the crisis. Return to this practice would bring back the policies that had led to the crisis in the first place. Expensive credit, on the other hand, diminishes investment activity and impedes replacement of government with private sector investments, leading to diminished growth potential.⁸

As suggested by the search results for the terms "access to insurance services,"

⁷ <http://pro-n.by/news/latest/2322/>

⁸ <http://news.tut.by/economics/289607.html>

people with disabilities in Groups 1 and 2 may be experiencing barriers to utilisation of the services.

A roundtable on access to insurance for people with disabilities, conducted in Minsk on 24 January 2012 focused on the denial of accident and travel insurance services to disabled clients in Groups 1 and 2 practised by most insurance companies. The event was organised by the Office on the Rights of People with Disabilities and the International Socio-Economic Foundation "Ideya".

The key presenters were from the Office on the Rights of People with Disabilities, Idea Foundation, insurance companies and the Insurance Oversight Directorate of the Ministry of Finance. The speakers from the Office of Disability Rights have proposed that a package of incentives be introduced by the government for insurance companies that practice socially responsible behaviour towards clients with disabilities. In his response, the speaker from the Ministry of Finance said that the government had very limited options for providing such incentives. The number of disabled clients was too small for the tools such as tax deductions or special reserve requirements to be effective. Commitment of each individual insurer to corporate social responsibility was a more promising tool for resolving this situation.⁹

The search for terms related to access to savings returned no media publications, but multiple links to advertising of such services by commercial banks. Maintaining a positive interest rate is declared as an important policy objective by Paragraph 3(6) of the Main Priorities for Finance and Credit Policies in 2013. This is seen as a tool for securing price stability and protection of savings. Protection of savings is understood as a key prerequisite to building trust in financial institutions and achieving greater levels of financial inclusion.

In sum, analysis of publications suggests that the importance of financial inclusion as a policy issue is duly recognised by the National Bank, Ministry of Finance and Ministry of Economy. This recognition is present in policy debates, and has translated into programmes, policies and regulations to increase access to finance for various populations.

As suggested by the materials reviewed in this section, Belarus has established a regulatory environment for financial inclusion, and is implementing systematic policies to expand access to finance. An active policy debate is under way on matters related to financial inclusion. Although the use of the term "financial inclusion" is still rare, individual components of access to finance are being addressed on a regular basis. On this dimension, Belarusian financial

⁹ <http://www.disright.org/ru/news/kruglyy-stol-dostupnost-uslug-strahovaniya-dlya-lyudey-s-invalidnostyu>;
http://www.zautra.by/art.php?sn_nid=9967&sn_cat=31

inclusion policies can be assigned a score of 4 ("good awareness of financial inclusion as a policy issue").

2. Diagnostic Review Findings

The diagnostic review of financial inclusion policies and regulations was performed by interviewing a panel of 20 experts in the field (see Annex). The interviews were conducted in two stages using the Delphi method. The interview results are presented below.

2.1 Pro-inclusion regulation and banking provisions

Most panel members interviewed in the first stage of the review (13 out of 20) described the existing regulations and banking provisions as "pro-inclusion". The average score on this item was 3.7 (Table 1).

Table 1. Expert responses to the question "To what extent do you agree with the following statement: 'Existing banking provisions and regulations encourage banks to make financial services widely accessible to individuals'?"

Survey stage 1							Survey stage 2						
Number responding					Mode	Mean	Number responding					Mode	Mean
1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
-	1	6	11	2	4	3.7	-	1	6	12	1	4	3.7

The views expressed by the participants in Stage 2 of the survey were almost identical to Stage 1. The majority of the panelists agreed with the statement in the questionnaire item (mean = 3.7, mode = 4).

Close to one-third of the respondents selected the answer "neither agree nor disagree", indicating that individual access to finance equally depended on regulations and on the policies and decisions of the banks.

One expert disagreed, stating that broad access to services could not be provided by the banks single-handedly, and that many banks were not interested in working with "small clients" and "small amounts".

2.2 Promotion of access to the national payment system and other forms of payments (internet, m-finance)

Most respondents shared the view that individuals and SMEs have easy access to alternative forms of financial services and payments, such as Internet and m-finance. (mode = 4, mean = 3.3 - Table 2).

Table 2. Participant responses to the question "To what extent do you agree with the following statement: 'individuals and SMEs in Belarus have easy access to alternative forms of financial services and payments, such as Internet and m-finance'?"

Survey stage 1							Survey stage 2						
Number responding					Mode	Mean	Number responding					Mode	Mean
1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
0	8	1	8	3	4	3.3	0	8	0	10	2	4	3.3

Respondents were divided into two opposing groups - those believing that individuals and SMEs had easy access to alternative forms of financial services and payments, such as Internet and m-finance (12 out of 20), and those disagreeing with this statement (8).

Common arguments cited by respondents from the first group were as follows. "The payment system in Belarus is one of the best in the CIS"; "Internet and m-banking have made most financial services freely accessible to individuals". Some respondents also remarked that the penetration of Internet and m-banking technologies is nearly universal, as 40% of the population are Internet users and 100% own a mobile phone.

However, respondents from both groups also emphasise that the main constraint for proliferation of Internet and m-banking was low client readiness to use such services. Some attributed insufficient demand to "poor financial literacy of the majority of the population". Typical examples of the views expressed by the opposing group were as follows. "Internet and m-banking have not become sufficiently widespread because of client inertia and also because many clients view remote banking as being 'too complex'. Furthermore, many older clients are distrustful of these technologies". "Alternative banking services need to be promoted, and user training is also needed. At present, they are being mostly used by people aged 18 - 35 or 40. Older clients have no knowledge of these services, even when they do use a computer or own a mobile phone."

Some statements reflected the perspective of SMEs by referring to "frequent problems" reported by business people with using such services. Some experts also

relayed complaints from businessmen who were interested in electronic payments but could not use this service due to "excessively complex rules".

As summarised by one panelist, the problem is not one of limited access, but of consumer conservatism and fear of using modern communication on the part of many clients.

2.3. Interest rate policy

Responses at the first stage of the review revealed significant divisions among the panelists (mean = 3.2 - Table 3). -

At the second stage, the panelists arrived at a more consensual view (mean = 3.4). Eleven respondents agreed that the National Bank's interest rate policy enabled profitable provision of small credits by financial institutions. Participant responses, however, referred almost exclusively to banks.

Table 3. Expert responses to the question "To what extent do you agree with the following statement: 'The present interest rate policy of the National Bank enables profitable provision of small credits by financial institutions'?"

Survey stage 1							Survey stage 2						
Number responding					Mode	Mean	Number responding					Mode	Mean
1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
1	4	7	7	1	4	3.2	1	3	5	10	1	4	3.4

Five panelists took the middle position ("neither agree nor disagree"), arguing that banks would not tolerate losses even on small loans. Commenting on the profitability of non-bank financial institutions, one panelist expressed described their potential to earn profits on small loans as 'highly uncertain', as most consumers were 'know next to nothing' about their existence.

Most respondents who disagreed shared the belief that positive interest rates in conditions of high inflation make credit too expensive and unaffordable to most potential borrowers.

2.4. Transparency and disclosure requirements

Most panelists disagreed with the statement that Belarusian financial institutions are transparent and provide customers with sufficient and understandable information about their services and products.

This position was shared by 11 respondents in Stage 1 of the survey (10 'disagree' and 1 'strongly disagree'), and 13 respondents in the second stage (12 'disagree' and 1 'strongly disagree' - Table 4). Mean score was 2.6 in the first phase, and 2.5 in the second.

Table 4. Respondent answers to the question "To what extent do you agree or disagree with the following statement: 'Financial institutions in Belarus are transparent and provide customers enough of understandable information about their services and products'?"

Survey stage 1							Survey stage 2						
Number responding					Mode	Mean	Number responding					Mode	Mean
1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
1	10	5	4	0	2	2.6	1	12	4	3	0	2	2.5

Respondents who disagreed with the statement in the question believed that the information provided by banks about their credit products was both "inadequate" and "difficult to understand". Some respondents have remarked that while some banks have recently been making an effort to make the information more accessible and understandable to clients, this was still "rather the exception than the rule".

One panelist who took the middle view ('neither agree not disagree') said: "the information is there, but many customers know little about it". He then proceeded to present a list of regulations concerning information disclosure by banks and non-bank financial institutions.

The experts who agreed with the statement in the question also referred to the extensive legal framework to support their answer. One respondent expressed their common view as follows. "Most financial services in Belarus are provided by banks. Transparency is one of the key requirements from the supervisory authority, the National Bank. Banks have an interest in meeting these requirements."

Another respondent said: "The existing banking regulations are generally consistent with international standards, including those established by the Basel Committee for Banking Supervision. Furthermore, banks have the obligation to

disclose to physical and legal persons information about their licence, operations, financial condition, and other relevant details by posting the relevant materials in client areas and on official web-sites, and also by responding to individual queries."

One expert remarked that the information commonly provided by banks was intended mostly "for the mass client", and little detail was available on the privileged terms available for long-term clients (such as lower interest on loans). Information for VIP clients is generally not disclosed at all."

In general, panelist responses suggest that the existing legal framework is fully conducive to transparency and provision of by banks and non-bank financial institution of full and understandable information about products and services to clients.

As concluded by one panelist, "Frequent consumer complaints that the information provided by banks is too difficult to understand can be attributed in large part to low awareness and poor financial literacy of consumers, and poor understanding of the relevant terminology. In sum, the problem is more with the consumers than with the banks".

2.5. Consumer protection

Participant responses in the first phase of the survey were distributed as follows. Nine respondents held a negative view of consumer protection, four respondents shared a positive view, and seven were neutral. Mean score was 2.8.

Table 5. Respondent answers to the question "To what extent do you agree or disagree with the following statement: 'Consumer rights are well protected and enforced when it comes to using financial services'?"

Survey stage 1							Survey stage 2						
Number responding					Mode	Mean	Number responding					Mode	Mean
1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
-	9	7	4	-	2	2.8	-	11	6	3	-	2	2.6

At the second phase of the survey, participant views shifted more towards a negative perception of consumer protection (mean = 2.6).

The middle view ('neither agree nor disagree') was shared by six panelists. They believed that while the existing legal framework provided sufficient guarantees

of consumer protection, their effectiveness is diminished by poor financial literacy: "Many consumers do not know their rights". Some respondents remarked that many problems were created by the consumers themselves who neglect to study the terms of their contracts with the bank before signing them. Several panelists added that supervision of consumer protection is not fully adequate at present, despite the National Bank's recent efforts to strengthen systems for handling consumer complaints, educate consumers and make direct recommendations to banks.

Three experts believed that the system for consumer protection was in place and that the existing legal framework enables them to enjoy legal protection provided by the legislation in consumer rights protection. Consumers can complain directly to banks (pursuant to legislation on the handling of petitions from physical and legal persons) or to courts.

However, the majority of the panelists believed that the rights of the users of financial services were not adequately protected or enforced, which has a negative effect on access to credit.

2.6. Degree to which the current policies and regulations promote competition in the financial sector

At the first stage of the survey, the majority of the experts agreed the view that National Bank's current policies promoted competition in the financial sector and, consequently, access to a wide range of services (Table 6). The mean score was 3.2, which changed little in the second stage of the panel assessment (mean = 3.1, mode - 4.0).

Table 6. Respondent answers to the question: "To what extent do you agree or disagree with the following statement: 'National Bank's current policies promoted competition in the financial sector and, consequently, access to a wide range of services'?"

Survey stage 1			Survey stage 2		
Number responding	Mode	Mean	Number responding	Mode	Mean

1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
1	6	3	9	1	4	3.2	1	6	3	10	0	4	3.1

Seven respondents disagreed with the statement in the item question. Several panelists emphasised the lack of sufficient competition in the finance sector. Some alleged that 'system banks' were enjoying "privileged status", such as 'special refinancing terms', liquidity support, privileged rights to serve budget-supported organisations, and state enterprises with large transaction volumes. Others emphasised the under-development of certain types of banking and financial institutions. Several respondents questioned the effectiveness of the National Bank's competition policies.

Three respondents who chose the answer "neither agree not disagree" contested the view that customers were having broad access to a wide range of financial services. They pointed to 'unaffordable' housing loans and 'inequitable' loan terms. Several experts believed that the development of non-bank financial institutions was given 'insufficient priority'.

2.7. Credit bureaus and collateral registries

Participant responses in the first phase of the survey were distributed as follows. Only one respondent disagreed with the statement that credit bureau and/or collateral registry provide services that help individuals and small businesses access credit easier and faster, eleven panelists agreed, and eight 'neither agreed no disagreed' - (Table 7). 7).

Table 7. Expert responses to the question "To what extent do you agree with the following statement: 'Credit bureau and/or collateral registry provide services that help individuals and small businesses access credit easier and faster.'?"

Survey stage 1			Survey stage 2		
Number responding	Mode	Mean	Number responding	Mode	Mean

1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
-	1	8	8	3	4	3.7	-	1	7	10	2	4	3.7

The number of respondents who agreed with the item statement increased somewhat at the second stage of the experts (twelve respondents chose the answer 'agree'), albeit with no effect on the mean score (3.7).

Explaining his disagreement with the item statement, one respondent underlined that legislation on the collateral registry is at a very early stage of development, and property or collateral registration had "little effect" on the credit terms and conditions. Seven panelists who chose the answer "neither agree nor disagree" were divided between those who believed that they had 'insufficient knowledge' to respond to the question and those who disputed the appropriateness of the phrase "make easier and faster" applied to the collateral registry. Respondents who shared a negative view of the collateral registry pointed to insufficient development of the relevant legal framework, absence of information about the relevant procedures, and also lack of transparency about the concept and role of the collateral registry in facilitating access to credit. One panelist who selected the answer "strongly agree" described the collateral registry as a 'tangible step forward' in improving individual access to bank loans.

In sum, the majority of the panelists agreed that credit bureaus and collateral registries facilitated access to credit for individuals and small businesses, thus contributing to greater financial inclusion.

2.8. Deposit insurance system

Twelve respondents agreed with the statement that deposit insurance in Belarus effectively protects small depositors and stimulates people to save in financial institutions, three panelists disagreed, and five 'neither agreed nor disagreed' (Table 8). Mean score was 3.6.

Table 8. Respondent answers to the question "To what extent do you agree or disagree with the following statement: 'Deposit insurance in Belarus effectively protects small depositors and stimulates people to save in financial institutions'?"

Survey stage 1	Survey stage 2
----------------	----------------

Number responding					Mode	Mean	Number responding					Mode	Mean
1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
1	2	5	9	3	4	3.6	1	2	4	12	1	4	3.5

At the second stage of the survey, the number of panelists who agreed with the item statement increased to 13. Mean score was 3.5. Mode = 4.0).

Three respondents disagreed. To support their answer, some cited precedents when funds had been erroneously debited from client card accounts and never returned.

Four respondents 'neither agreed nor disagreed'. Some pointed to 'poor awareness' about deposit protection among clients. They believed that deposit insurance had little effect on customer motivation to deposit their savings on bank accounts. Instead, protecting savings from inflation was the leading motive.

1.9. Policies to increase access and use of financial services

In this part of the survey, panelists were asked to react to the following statement: "The government actively promotes access to and use of financial services through mandatory payments of salaries and pensions, and forcing people to open bank accounts". Two respondents disagreed, sixteen agreed, and two neither agreed nor disagreed. Mean score was 4.0.

This distribution changed little at the second stage of the survey .

Table 9. Panelist responds to the question "To what extent do you agree or disagree with the following statement: 'The government actively promotes access to and use of financial services through mandatory payments of salaries and pensions, and forcing people to open bank accounts'?"

Survey stage 1							Survey stage 2						
Number responding					Mode	Mean	Number responding					Mode	Mean
1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
-	2	2	11	5	4	4.0	-	2	2	12	4	4	3.9

Respondents who disagreed with the item statement were convinced that recent policies gave 'relatively little priority' to controlling inflation, inflationary expectations and fears of a new devaluation. The result was a relatively high inflation rates, and, consequently higher interest rates on credits and deposits relative to the neighbouring states. They also pointed to the relative paucity of programmes, incentives and interventions to promote non-cash transactions. Cards are not accepted in many places, such as markets, taxis or kiosks. Thus, negative participant responses were more a reflection of the overall situation in the financial market and bank activities in supporting non-cash transactions that a function of the National Bank's policies.

Overall, the view that the government actively promotes access to and use of financial services was supported by the majority of the panelists.

2.10. Financial inclusion as a policy priority

The panelists were asked to respond to the following statement: "financial inclusion is seen as an important policy issue in Belarus". Eleven respondents agreed, four disagreed and five neither agreed nor disagreed. Mean score was 3.4.

Table 10. Respondent answers to the question "To what extent do you agree or disagree with the following statement: 'Financial inclusion is seen as an important policy issue in Belarus'?"

Survey stage 1							Survey stage 2						
Number responding					Mode	Mean	Number responding					Mode	Mean
1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree			1. Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree		
0	4	5	10	1	4	3.4	0	4	4	12	0	4	3.4

At the second stage, the number of the panelists who agreed with the item statement increased to 12. The scores were not affected (Mean = 3.4, Mode - 4.0).

Several respondents expressed contrasting viewpoints. Four respondents who disagreed with the item statement argued that the notion of "financial inclusion" as a "policy priority" was appropriate only in relation to the banking sector, and not to

other financial institutions that are still poorly developed and 'not known' to the public.

Respondents who chose the answer 'neither agree nor disagree' believed that financial inclusion policies should focus more on programmes to encourage people to use non-cash transactions, insurance and other services. They also suggested that Belarus was in many respects behind many other countries, including Russia and other CIS states.

2.11. Participant views of select policies to promote competition, alternative methods of payment and financial literacy.

In addition to questions on the policy priorities for financial inclusion, the panelists were also asked three open-ended questions:

1. Should the National Bank of Belarus allow more financial institutions to operate in the country, in particular allow certain types of institutions such as credit unions and foreign banks in Belarus?

2. Do you think that the government should invest more in modern electronic methods of payments and settling transactions to make payments easier and cheaper, for example through internet banking or mobile banking?

3. Do you think that raising awareness about financial matters and increasing people's financial capabilities would make the financial system more inclusive? (Table 11).

Table 11. Participant views of select policies to promote competition, alternative methods of payment and financial literacy.

Question:	Number responding, first stage		Number responding, second stage	
	Agree	Disagree	Agree	Disagree
Should the National Bank of Belarus allow more financial institutions to operate in the country, in particular allow certain types of institutions such as credit unions and foreign banks in Belarus?	18	2	18	2
Do you think that the government should invest more in modern electronic methods of payments and settling transactions to make payments easier and cheaper, for example through internet banking or mobile banking?	13	7	14	6
Do you think that raising awareness about financial matters and increasing people's financial capabilities would make the financial system more inclusive?	19	1	19	1

Most panelists answered "yes" to **Question 1**. Many were convinced that a larger number of financial institutions would promote competition and improve the quality of services.

Two experts who disagreed stated that entry on the market of new banks would be constrained by the National Bank's decision to increase the equity capital requirements applicable to new banks to the equivalent of Euro 25 million. It was also suggested that 32 banks were just enough for a country whose financially active population does not exceed six million people. Furthermore, some banks may need to merge, given their modest size.

Several experts pointed to the need for proliferation of non-bank financial institutions. One expert believed that this would only be appropriate if the National Bank acted as the regulatory authority in respect of such institutions.

Several experts expressed the belief that the entry of new foreign banks would be beneficial to the Belarusian financial market.

Most participants also answered yes to **Question 2**. Many held the view that investments in new electronic payment systems could be made not just by the government, but also by the private sector. One panelist expressed the need «for a state programme to promote Internet and mobile transactions. One example of such a programme could be discounts on the last utility bill in a year to customers who had been paying all utilities and other bills electronically throughout the year. Another expert emphasised the importance of provision of modern payment methods to residents of remote areas. In his opinion, mobile technologies are the only option to increase financial inclusion in remote communities that cannot be covered by traditional services, It was also suggested that electronic payments could contribute to cost reduction in many enterprises.

The panelists who gave negative respondents expressed the belief that competition policies and supervision were sufficient to improve access to finance. Some experts believed that electronic transactions markets could effectively be operated by the private sector, given its high potential profitability. Internet providers and mobile operators could be potential candidates for entry. The government could act in a coordinating role in this market, and look towards other markets that are less attractive to the private sector.

Nearly all experts **answered yes** to the third question. Many panelists agreed that a more financially literate citizenry would be more prepared to explore and use new financial services. One expert suggested that financial literacy programmes should necessarily involve state and private banks, all of which have a material interest in a more financially literate clientele. No financial literacy programme would be sufficiently effective if implemented single-handedly by the regulator.

2.12 Cluster analysis

The panelist replies at the first stage of the interview were subjected to statistical processing to identify convergences and divergences. To this end, hierarchical cluster analysis was performed with SPSS.

We start building the hierarchy of clusters by creating an agglomerative hierarchical cluster matrix (Table 12). We will start by analysing the panelist responses to questions 1 - 10

Table 12 – Agglomeration schedule

Step	Clustering		Factor	Stage cluster first appears		Next stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	19	20	5.000	0	0	8
2	13	15	5.000	0	0	5
3	5	10	5.000	0	0	17
4	2	3	5.000	0	0	11
5	7	13	5.500	0	2	10
6	1	9	6.000	0	0	8
7	16	17	7.000	0	0	9
8	1	19	8.500	6	1	10
9	11	16	8.500	0	7	14
10	1	7	9.250	8	5	14
11	2	6	9.500	4	0	13
12	8	18	10.000	0	0	13
13	2	8	11.667	11	12	15
14	1	11	13.190	10	9	17
15	2	12	13.600	13	0	19
16	4	14	14.000	0	0	18
17	1	5	15.500	14	3	18
18	1	4	18.833	17	16	19
19	1	2	22.857	18	15	0

As seen from Table 1, the coefficient jumps from 15.5 to 18.833 at Stage 17, indicating that three clusters would be the optimum number for a data set of 20 observations.

The cluster distribution of the panelists based on the responses given is presented in Table 13.

Table 13. Cluster distribution

Panelist	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Cluster	1	2	2	3	1	2	1	2	1	1	1	2	1	3	1	1	1	2	1	1

As seen from Table 2, the largest number of panelists have been assigned to Cluster 1 (12), followed by Cluster 2 (6), and Cluster 3 (2).

To build the cluster profiles, averages and standard deviations were computed for the three clusters based on responses to 10 questionnaire items (Table 14).

Table 14 – Means

	Cluster 1	Cluster 2	Cluster 3	Total
Q1	4.0	3.0	4.0	3.7
Q2	4.0	2.0	3.0	3.3
Q3	3.1	3.2	3.5	3.2
Q4	2.7	2.3	3.0	2.6
Q5	2.8	2.3	3.5	2.8
Q6	3.8	1.8	3.5	3.2
Q7	3.9	3.2	3.5	3.7
Q8	3.8	2.7	4.5	3.6
Q9	4.3	3.8	2.0	4.0
Q10	3.9	2.7	2.5	3.4

Responses to Questions 11 - 13 were presented as binary variables (Yes = 1, No = 0) Let us test whether if the optimum cluster number will be affected if the participant responses to all 13 questions were included. The agglomeration schedule is shown in Table 15

Table 15 – Agglomeration schedule

Step	Clustering		Factor	Stage cluster first appears		
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	Cluster 1
1	19	20	6.000	0	0	9
2	13	15	6.000	0	0	3
3	7	13	6.000	0	2	11
4	5	10	6.000	0	0	17
5	2	3	6.000	0	0	10
6	16	17	7.000	0	0	8
7	1	9	7.000	0	0	9
8	11	16	8.500	0	6	14
9	1	19	9.500	7	1	11
10	2	6	10.000	5	0	12
11	1	7	10.083	9	3	14
12	2	18	12.333	10	0	13
13	2	8	13.750	12	0	16
14	1	11	13.905	11	8	17
15	4	14	14.000	0	0	18
16	2	12	14.400	13	0	19
17	1	5	16.100	14	4	18
18	1	4	19.333	17	15	19
19	1	2	23.690	18	16	0

As seen from Table 15, the jump in the coefficient is again observed at the Stage 17, suggesting that the three-cluster solution would be the most appropriate based on the responses to 13 questions. Panelist distribution among the three clusters is identical to the one shown in Table 13.

The results of the second stage of the expert panel survey were also subjected to statistical processing using the clustering technique. The agglomeration schedule is shown in Table 16

Table 16 – Agglomeration schedule

Stage	Clustering		Factor	Stage cluster first appears		Next stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	10	15	000	0	0	2
2	10	13	1.000	1	0	4
3	9	20	2.000	0	0	5
4	1	10	3.667	0	2	7
5	9	19	4.000	3	0	7
6	2	3	5.000	0	0	10
7	1	9	5.083	4	5	9
8	16	17	7.000	0	0	13
9	1	7	9.286	7	0	11
10	2	6	9.500	6	0	14
11	1	11	9.875	9	0	13
12	5	18	10.000	0	0	17
13	1	16	12.167	11	8	17
14	2	8	12.333	10	0	15
15	2	12	13.750	14	0	19
16	4	14	14.000	0	0	18
17	1	5	15.545	13	12	18
18	1	4	17.769	17	16	19
19	1	2	21.093	18	15	0

As seen from Table 16, a two-cluster solution would be the most appropriate in this case (the jump in the coefficient was observed at stage 18). The distribution of the panelist among the clusters is shown in Table 17.

Table 17. Cluster distribution

Panelist	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Cluster	1	2	2	1	1	2	1	2	1	1	1	2	1	1	1	1	1	1	1	1

As seen from Table 17, 15 panelists were assigned to Cluster 1, and the remaining 5 to Cluster 2. This suggests the narrowing of differences in the experts'

responses to the items on the questionnaire. Calculation of the overall and cluster means is shown in Table 18.

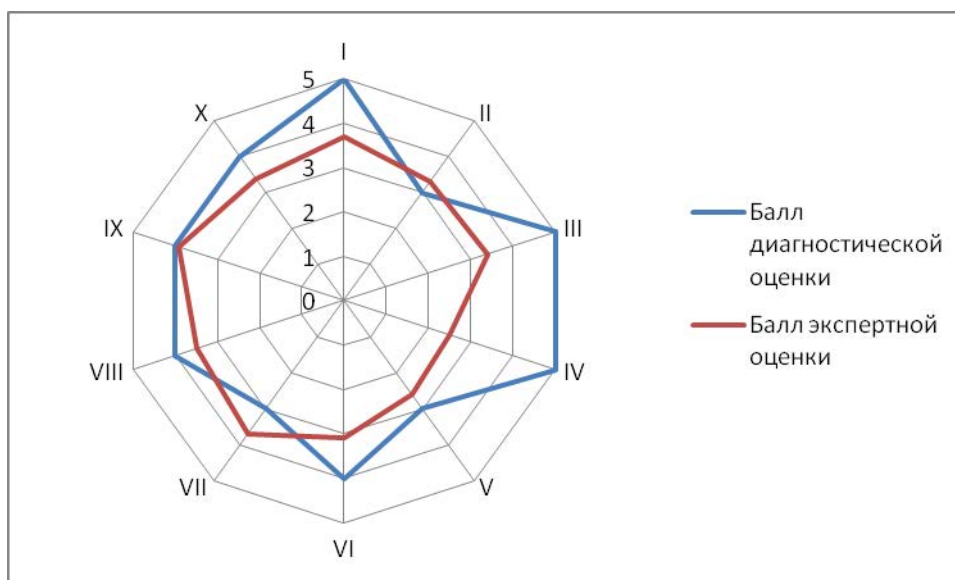
Table 18 – Means

	Cluster 1	Cluster 2	Total
Q1	3.9	3.0	3.7
Q2	3.7	2.0	3.3
Q3	3.5	3.0	3.4
Q4	2.6	2.0	2.5
Q5	2.7	2.4	2.6
Q6	3.5	1.8	3.1
Q7	3.9	3.0	3.7
Q8	3.8	2.6	3.5
Q9	3.9	3.8	3.9
Q10	3.7	2.6	3.4

3. Pro-Access Policies Sub-Index

Table 19. Score calculation

Sub-Category	Assessment Score	Expert Score	Average Score	Benchmark	Distance to target
	(1)	(2)	(3) = AVG [(1)+(2)]	(4)	(5) = (4) – (3)
I. Pro-inclusion regulation and banking provisions	5	3.7	4.4	5	0.7
II. Promotion of access to the national payment system and other forms of payments (internet, m-finance)	3	3.3	3.2	5	1.9
III. Interest rate policy	5	3.4	4.2	5	0.8
IV. Transparency and disclosure requirements	5	2.5	3.8	5	1.3
V. Consumer protection	3	2.6	2.8	5	2.2
VI. Policies and regulations promote competition in the financial sector	4	3.1	3.6	5	1.5
VII. Credit bureau and collateral registry	3	3.7	3.4	5	1.7
VIII. Deposit insurance	4	3.5	3.8	5	1.3
IX. Policies to increase access and use of financial services	4	3.9	4.0	5	1.1
X. Financial inclusion is seen as an important policy issue in Belarus	4	3.4	3.7	5	1.3
Average for Belarus	4	3.3	3.7	5	1.3



Diagnostic evaluation score

Expert assessment score

- I. Pro-inclusion regulation and banking provisions
- II. Promotion of access to the national payment system and other forms of payments (internet, m-finance)
- III. Interest rate policy
- IV. Transparency and disclosure requirements
- V. Consumer protection
- VI. Policies and regulations promote competition in the financial sector
- VII. Credit bureau and collateral registry
- VIII. Deposit insurance
- IX. Policies to increase access and use of financial services
- X. Financial inclusion as a policy priority

Figure 1. Diagnostic assessment and Experts' Opinion on Policies and Regulation and Financial Inclusion in Belarus

Conclusion

The aim of this study was to evaluate the policies and regulations in support of financial inclusion Belarus.

The assessment was conducted in two stages. At the first stage, a diagnostic assessment was performed of the current policies and regulations based on an analysis of the legislation and other relevant sources.

At the second stage, panel interviews were conducted with experts in aspects of policies and regulation now in force in Belarus which may stimulate or slow down financial inclusion. A modified Delphi method was used.

Based on the diagnostic and expert assessment, a pro-access policy subindex was computed. The final score of the pro-inclusion policy subindex was 3.7 (distance from the target = 1.3).

The combined score (4.4) was highest for the category "Pro-inclusion regulation and banking provisions" (distance from the target is 0.7 points).

The lowest scores were obtained for the following categories: "Consumer protection (distance from the target = 2.2); Promotion of access to the national payment system and other forms of payments (internet, m-finance) (distance from the target = 1.9), and "Credit bureaus and collateral registry (distance from the target = 1.7 points).

As suggested by the study, policies are in place in Belarus to promote financial inclusion and access to finance for individuals and SMEs. However, improvements are still needed in a number of areas such as financial literacy and macroeconomic stability.

Annex

List of panelists

Insurance companies	Lavrusenko, Victor Anatolyevich, Belgosstrakh ZAO
Universities	Matyas, Alexander Anatolyevich, Polessky State University Tikhonov, Anatoly Olegovich, Academy of Management under the President of Belarus
Research institutes	Luchenok, Alexander Ivanovich, Institute of Economics under the National Academy of Sciences of Belarus
National Bank of Belarus	Durasova, Ilona Alexandrovna Nabzdorov, Dmitry Valeryevich Ilukevich, Olga Yevgenyevna
Commercial banks	Khanikyan Levon Gevorovich BBMB Bank ZAO Kallaur, Pavel Vladimirovich BelVEB Bank OAO
Ministry of Finance of Belarus	Ignatyev, Anatoly Petrovich
Ministry of Justice of Belarus	Zadiran, Sergey Vladimirovich
Ministry of Economy of Belarus	Arushanyants, Piotr Borisovich Shust, Victor Ivanovich
Independent think tanks	Tochitskaya, Irina Edouardovna, IPM Research Centre
Leading reporters specialising in economics	Kot, Anna Nikolaevna, BelTA Kuletsky, Vladislav Igorevich, Zvyazda Newspaper Antipenko, Olga Vasilyevna, Komsomolskaya Pravda Newspaper Markina, Tamara Ivanovna, 7 Dney Newspaper Benko, Alexander Petrovich, Respublika Newspaper
Belarusian Banks Association	Kupchinova, Olga Vitalyevna

Questionnaire numbers are different from the number of the panelist on the list