

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA458

Date ISDS Prepared/Updated: 19-Sep-2012

I. BASIC INFORMATION

1. Basic Project Data

Country:	Russian Federation	Project ID:	P125305
Project Name:	Financial Market Development and Stability Enhancement Project (P125305)		
Task Team Leader:	John Daniel Pollner		
Estimated Appraisal Date:		Estimated Board Date:	25-Feb-2013
Managing Unit:	ECSPF	Lending Instrument:	Technical Assistance Loan
Sector:	Capital markets (70%), Banking (15%), Non-compulsory pensions and insurance (10%), Payments, settlements, and remittance systems (5%)		
Theme:	Regulation and competition policy (100%)		
Financing (In USD Million)			
Financing Source			Amount
Borrower			100.00
International Bank for Reconstruction and Development			50.00
Total			150.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	Yes		

2. Project Objectives

The Project Development Objectives are: (i) strengthen Russia's legal and regulatory framework for the financial markets in line with global G20 regulatory reform standards; (ii) enhance supervision of the securities sector and non-banks to oversee and enforce regulations and management of risks within and across financial sub-sectors; and (iii) increase the depth of financial services and instruments in Russia's financial markets, both domestically and internationally, and attract new institutional and retail investors.

3. Project Description

The following are the main project components:

Component 1. Enhance the institutional capacity of the Federal Financial Market Service (FFMS) to

monitor and supervise the financial market and strengthen its stability. Under this component, reforms will be undertaken and information technology systems developed, to: (i) strengthen micro-prudential supervision of non-bank financial market participants including investment firms, brokers, dealers, pension funds, insurance companies, and others; (ii) develop a comprehensive financial market monitoring system and creation of an early warning system for crisis detection; (iii) enhance institutional capacity of FFMS, (iv) improve reliability and security of information collection, sharing, storage and delivery, and efficiency of information processing; and (iv) enhance the attractiveness of the Russian financial market to internal retail investors and international institutional investors. These reforms will enhance the capacity of FFMS to oversee and address risks more effectively, while ensuring market development.

Component 2. Support financial market development. This component aims to encourage further development of the securities market and nonbank intermediaries by: (i) setting out proposals and measures aimed at improving the control, supervision, and the legal and regulatory framework of the financial market to, inter alia, ensure its stability and efficiency, (ii) to improve the operation of the financial market infrastructure (including the organized market, regulated and unregulated market for derivative financial instruments, registration of rights aiming the setting up of a central depository, insurance, and other areas); (iii) development of, and regulation of financial instruments and collective investment schemes; (iv) improving corporate governance and mechanisms of protecting shareholder rights; and (v) strengthening regulation of financial intermediaries in line with G20 recommendations.

Component 3. Set out measures to improve Government policy and regulatory framework of the financial market. This component will support the Ministry of Finance in the development and implementation of the Government's policy in the financial sector. Activities include: (i) developing proposals for implementing international recommendations and implementation of Government policy in the financial sector, including treatment of systemically important financial institutions; (ii) formulating the strategy for the development of financial markets and establishment of an international financial center in Moscow; (iii) developing proposals for the improvement in the Government's policy on securities market development and financial market instruments; (iv) setting forth proposals and measures for improving Government policy and regulation in the banking sector, insurance sector, securities markets, pension funds, and credit rating agencies.

Component 4. Project management. This component will finance the project management function, as well as periodic monitoring and evaluation. This function will be undertaken by the FER Project Implementation Unit (PIU) which was selected according to a competitive public bid. The PIU will provide support to the project implementing agencies for project implementation and management, preparation of bidding documents, implementation of selection procedures, preparation of contracts in line with IBRD practices, payments processing, disbursement monitoring, preparation of financial reports, and other functions. The PIU will undertake responsibilities mentioned above in accordance with an agency agreement to be concluded with the implementing agency.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Moscow, Russian Federation

5. Environmental and Social Safeguards Specialists

Agnes I. Kiss (EC SOQ)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

<p>1. Describe any safeguard issues and impacts associated with the Restructured project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p> <p>The project does not contain direct social or environmental impacts, but it does include measures to protect social-related rights. These include project components promoting transparency and consumer protection in the use and in the understanding of risks in financial services. The project also includes provision for the protection of small investors and increased public disclosure of securities operations and transactions. In addition, the FFMS supervisory components include the strengthening of supervision in the mandatory privately funded pension sector, which is in its early stages of development and aims to ensure the protection and sound management of retiree funds.</p> <p>No environmental impacts or effects are foreseen or expected from the project. The project has an environmental category of C.</p>
<p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p> <p>Since this a TA project focusing on regulatory reform in the financial sector, there are no potential indirect impacts anticipated.</p>
<p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p> <p>Not Applicable.</p>

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower's capacity to plan and implement the measures described.
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
Stakeholders include FFMS, the MoF, the CBR, and industry participants. FFMS and the MoF will see the project as a direct benefit. While the CBR as banking supervisor is not directly involved in the project due to its statutory position and independence, MoF expects continuous consultations to ensure coordination with the CBR for relevant components. This is because MoF is statutorily responsible for issuing any new financial sector laws and has a major policy role in defining macro-prudential regulation. Industry participants will also be consulted. While some regulations will be tightened in line with international standards, the majority of market players will likely see the project as a chance to attract foreign business and partners as part of the Russia international financial center concept.

B. Disclosure Requirements Date

Technical Assistance Project
For a TA project which will finance the preparation of a specific safeguards instrument, please indicate type of document disclosed, if any.
Not Applicable
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.
If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader:	John Daniel Pollner	
<i>Approved By</i>		
Sector Manager:	Name: Michael Edwards (SM)	Date: 24-Sep-2012