MARKET TRANSFORMATION IN THE DIGITAL ERA
MARKET OF COLLECTIVE INVESTMENTS IN RUSSIA IN 2014-2018

**Attracting funds to open-ended mutual investment bond funds, billion euro**

- 2014: -0.46
- 2015: 0.05
- 2016: 0.28
- 2017: 1.00
- HY1 2018: 0.86

**Net asset value of retail investment funds, billion euro**

- 2014: 1.26
- 2015: 1.64
- 2016: 1.87
- 2017: 3.05
- HY1 2018: 3.64

**Returns: Open-End Mutual Fund vs deposit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Average returns of open-end mutual investment bond funds*</th>
<th>Average deposit rate**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>8.59%</td>
<td>7.26%</td>
</tr>
<tr>
<td>2017</td>
<td>10.33%</td>
<td>5.86%</td>
</tr>
<tr>
<td>HY1 2018</td>
<td>6.4%</td>
<td>5.36%</td>
</tr>
</tbody>
</table>

*According to the info-analysis web-site NLU.RU
**Average interest rate on individual deposits up to 1 year (except for call deposits)
MARKET OF COLLECTIVE INVESTMENTS IN RUSSIA IN 2014-2018

Non-Governmental Pension Fund investment portfolio, billion euro

Investment life insurance premiums, billion euro

Number of Non-Governmental Pension Funds

Number of Mutual Funds

Pension savings

Pension reserves
ONLINE DISTRIBUTION OF FINANCIAL SERVICES IN RUSSIA AND GLOBALLY

GLOBALLY

- 1978
  - The Law on Electronic Money Transfer System. USA

- 1985
  - Release of the first online application for professional brokers - Trade*Plus. USA

- 1994
  - Emergence of online banking services in Europe

  - Second half of the 1990s

IN RUSSIA

- 1997
  - The first internet trading system from Guta-Bank - OnlineBroker

- 1998
  - Release of the first mobile applications for brokers

- 2012-2013
  - The simplified identification procedure was established by the federal laws.

- May 2014
  - Launch of the first broker platform with remote identification through Gosuslugi from BKS

- December 2015
  - Launch of the biometric remote identification system

- June 2018

• Access to all the types of financial services is possible through the internet and mobile applications.
• The volume of online sales is already catching up with, and in some countries and segments exceeds the conventional ways of distribution (through banking networks and investment advisors).
• Rapid development of marketplaces – platforms offering information on services of various financial companies in comparable form and allowing for transactions with these products directly on the marketplace online, including from mobile devices
LIMITATIONS ON THE GLOBALIZATION OF ONLINE TRANSACTIONS WITH NON-RESIDENTS’ STAKES

- **Difficult/impossible to directly purchase shares/stakes** of foreign investment funds without intermediaries for non-residents.
- **Impossible for foreign managers to run business directly** – it is necessary to establish and license a legal entity in the state of the client’s residence.
- Different approaches to legislative regulation and lack of unambiguous judicial practice result in **tax risks**.
- **Lack of a global client identification system**.
Successful examples of cross-border interactions

**Examples of Barrier-Free Transactions with Shares/Stakes of Foreign Investment Funds Performed by Non-Residents**

**Europe**  
UCITS European passport  
27 EU Countries and 3 EFTA Countries

**India**  
A special NRE/NRO account with an Indian bank for NON-citizen and NON-resident Indians

**Asia-Pacific Economic Cooperation**  
**APEC Countries**  
Asia Funds Region Passport  
Australia, New Zealand, Korea, Philippines, Thailand, Singapore, Japan, and Hong Kong

In the future, such an agreement is planned to be concluded with the countries of the European Union for mutual recognition of investment funds of the two regions.

**China and Hong Kong**  
Mutual Recognition for Funds Agreement

**Countries of the Association of Southeast Asian Nations (ASEAN)**  
ASEAN Collective Investment Scheme  
Singapore, Malaysia, Thailand
Wide integration of online products from financial organizations

Regulatory "sandbox" – a special legal regime for experimenting with introduction of new financial products and services

Dozens of successful fintech start-ups for investing in various financial products through mobile applications

Bank of Russia’s Marketplace: «Deposits + mutual funds (pilot project)»

Transition from the local level to the global level will provide investors with a greater choice of tools. Globalization of the business of financial and investment companies will strengthen the potential and international competitiveness of financial markets in the world.
In the near future, all products and processes will "go away" into the digital space.

Pre-conditions:

- Need to reduce the maintenance costs of the conventional distribution chain of intermediaries
- Experience of competitors that have already passed this stage, the need to use modern and effective sales channels in order to keep up the market share
- Demand from the generation of millennials accustomed to the comfort of the digital environment
- Digitalization of reporting and interaction with regulators
- Development of mobile technologies

Solutions:

- Joint efforts of market players together with regulators to create technological and legal opportunities for cross-border interactions between players of different markets
- Elimination of legal and technological barriers between countries
- Development of a global identification system

The barriers are created not only and not so much by technological factors as by legal restrictions established to counter unfair practices and for protectionist purposes.
The Association of Eurasian Central Securities Depositories

Common digital space as part of EAEU/AECSD

AECSD countries

- Mutual recognition of EAEU
- Comfortable taxation on investments
- Remote investor identification
- ASD common depositary space
- Removing the barriers for purchases of foreign financial instruments by collective investment market participants
- Mutual recognition of EAEU financial market participants’ licenses
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THANK YOU FOR ATTENTION!

World wide web:

INFINITUM Company Group: http://specdep.ru/eng/
Financial platform: https://platform.finance