

Olnev, M. M. (2023). Characteristics of the legal regulation of the Central Bank of the Russian Federation. *Current Issues of Science: Student Thought. Tuculart Student Scientific*, 3, 14-21. Ostrava: Tuculart Edition, European Institute for Innovation Development.

DOI: 10.47451/tss2023-11-02

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### Characteristics of the legal regulation of the Central Bank of the Russian Federation

*Abstract:* A key element of the financial system of any developed state today is the Central Bank, which acts as the official conductor of monetary policy. In turn, monetary policy forms the basis of all state regulation of the economy along with budgetary policy. Therefore, the effective operation of the central bank is one of the conditions for the effective functioning of the market economy. The Bank of Russia is a legal entity and has a seal with the image of the State Emblem of the Russian Federation and its name. The Bank of Russia has passed a special historical path. He has survived many cataclysms and reorganisations. Nevertheless, it has been at the head of the Russian banking system for more than 160 years. The study object was the Central Bank of Russia and its management structure. The study subject was the norms regulating the relations developing in financial activity, as well as the theoretical developments of scientists on this issue. The study purpose was to examine the essence, functions, goals and objectives of the Central Bank of the Russian Federation. The methodological basis was the dialectical method, as a general scientific method of cognition, and separate private scientific methods such as logical, formal-legal, comparative-legal, and historical-legal. In the course of the study, regulatory legal acts and a number of research works by specialists in this field were used. The author concludes that the Central Bank is a key link in the entire banking system of Russia. It performs a monopoly issue of money; it is the bank of banks, the banker of the Government, the main settlement center of the country and the body regulating the economy by monetary methods. They are the functions of the Bank of Russia. Its status, tasks, functions, powers, and principles of organisation of activities are defined by the law On the Central Bank of the Russian Federation (Bank of Russia) dated July 10, 2002.

*Keywords:* Central Bank of Russia, legal regulation, Bank of Russia, Russian Federation.



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### Характеристика правового регулирования деятельности Центрального Банка Российской Федерации

*Аннотация:* Ключевым элементом финансовой системы любого развитого государства сегодня является Центральный Банк, выступающий официальным проводником денежно-кредитной политики. В свою очередь, денежно-кредитная политика, наряду с бюджетной, составляет основу

всего государственного регулирования экономики. Поэтому эффективная деятельность центрального банка является одним из условий эффективного функционирования рыночной экономики. Банк России является юридическим лицом и имеет печать с изображением Государственного герба Российской Федерации и со своим наименованием. Банк России прошел особый исторический путь. Он пережил много катаклизмов и реорганизаций, тем не менее, уже более 160 лет он стоит во главе банковской системы России. Объектом исследования являлся Центральный Банк России и его структура управления. Предметом исследования являлись нормы, регулирующие отношения, складывающиеся в сфере осуществления финансовой деятельности, а также теоретические разработки ученых по данной проблематике. Целью исследования было рассмотреть сущность, функции, цели и задачи ЦБ РФ. Методологической основой являются диалектический метод, как общенаучный метод познания, и отдельные частно-научные методы: логический, формально-юридический, сравнительно-правовой, историко-правовой. В ходе исследования использовались нормативные правовые акты и ряд исследовательских работ специалистов в данной области. Автор делает заключение, что Центральный Банк является ключевым звеном во всей банковской системе России. Он осуществляет монопольный выпуск денег, является банком банков, банкиром Правительства, главным расчётным центром страны и органом регулирования экономики денежно-кредитными методами. Все перечисленное и является функциями Банка России. Его статус, задачи, функции, полномочия и принципы организации деятельности определены законом «О Центральном банке РФ (Банке России)» от 10 июля 2002 года.

*Ключевые слова:* Центральный Банк России, правовое регулирование, Банк России, Российская Федерация.



## Introduction

A key element of the financial system of any developed state today is the Central Bank, which acts as the official conductor of monetary policy. In turn, monetary policy forms the basis of all state regulation of the economy along with budgetary policy. Therefore, the effective operation of the central bank is one of the conditions for the effective functioning of the market economy.

The Bank of Russia is a legal entity and has a seal with the image of the State Emblem of the Russian Federation and its name. The Bank of Russia has passed a special historical path. Although he is younger than the Bank of England and the Swedish Riksbank and, unlike them, has experienced many cataclysms and reorganisations. Nevertheless, it has been at the head of the Russian banking system for more than 160 years. The State Bank of the Russian Empire was established in 1860. Its main tasks were to streamline monetary circulation and promote the development of the economy. Since 1894, with the adoption of the new version of the charter, the State Bank became the center of the financial system of Russia. After the monetary reform of 1895-1897, the State Bank received the right to issue banknotes (from that moment it became a real central bank).

After 1917, the Russian banking system underwent significant transformations. The People's Bank of the RSFSR was liquidated on January 19, 1920, and Russia did not have a State Bank until November 1921. During the Soviet period, the State Bank of the USSR was at the same time the issuing center of the country, the center of short-term lending, the institute of cash and settlement services of enterprises and organisations. The monopoly position in the

banking system and complete subordination to the government contributed to the transformation of the USSR State Bank into a state management and control body. When Russia acquired sovereignty on December 20, 1991, the State Bank of the USSR was abolished, and all its functions were transferred to the Central Bank of the RSFSR (Bank of Russia).

The study object was the Central Bank of Russia and its management structure.

The study subject was the norms regulating the relations developing in financial activity, as well as the theoretical developments of scientists on this issue.

The study purpose was to consider the essence, functions, goals and objectives of the Central Bank of the Russian Federation, the monetary policy of the Central Bank.

Based on the study purpose, the following tasks were formulated:

- analyse the state regulation of the Russian Federation banking system;
- study the Russian Federation banking system;
- give a legal description to the Bank of Russia;
- analyse the functions and powers of the Central Bank;
- present a conclusion on the transformation of the Central Bank of Russia at the current historical stage of Russia's development.

The methodological basis is the dialectical method, as a general scientific method of cognition, and separate private scientific methods such as logical, formal-legal, comparative-legal, and historical-legal.

In the course of the study, regulatory legal acts and a number of research works by specialists in this field were used.

## **The results of the study**

### ***1. Legal characteristics of the Bank of Russia***

The Bank of Russia is a legal entity. It has a seal with the image of the State Emblem of the Russian Federation and its name. The main elements of the status of the Bank of Russia as a federal bank laid down in the Constitution of the Russian Federation are:

- 1) "Protection and ensuring the stability of the ruble is the main function of the Central Bank of the Russian Federation, which it performs independently of other state authorities" ([\*The Constitution...\*, 2020](#));
- 2) The State Duma is responsible for the appointment and dismissal of the Chairman of the Central Bank of the Russian Federation.

For the first time, the main bank of Russia as a state bank with the function of issuing banknotes was formed in 1860 with the name of the State Bank of Russia. In its modern form, the Bank of Russia began to operate in 1990, when the RSFSR's *Law On the Central Bank of the RSFSR (Bank of Russia)* was adopted. In 1993, the new Constitution of the Russian Federation established the constitutional and legal status of the Bank of Russia.

Currently, the activities of the Bank of Russia are regulated by the *Law on the Bank of Russia*. Nevertheless, this Law is constantly being improved. From January 10, 2003 to January 1, 2018, 5,172 changes and additions were made to it. This Law is the main law regulating the activities of the Bank of Russia. However, in addition to it, the activities of the Bank of Russia are regulated

by other laws concerning its activities – the *Law on Banks*, the *Law on the Bank of Russia of the Russian Federation*, the *Law on Payments of the Bank of Russia on Deposits of Individuals* and a number of other laws.

The *Law on the Bank of Russia* defines the following features of the status of the Bank of Russia, which are manifested in the fact that the Bank of Russia:

- 1) performs the functions provided for by law, independently of other authorities (art. 1);
- 2) is a legal entity (Article 1);
- 3) making a profit is not the purpose of its activities (Article 3);
- 4) disposes independently of its authorised capital and other property, which, meanwhile, are not owned by the Bank of Russia, like other legal entities, but are state property (Article 2);
- 5) is not liable for the obligations of the state, and the state is not liable for the obligations of the Bank of Russia, if they themselves do not assume such obligations (art. 2);
- 6) carries out banking supervision and supervision in other areas of the financial market (Articles 4 and 76.1, respectively);
- 7) has the right to apply measures of influence to credit organizations and other financial market organisations (Articles 74 and 76.5, respectively);
- 8) is not liable for the obligations of credit institutions, and credit institutions are not liable for the obligations of the Bank of Russia, if they themselves do not assume such obligations (Article 79);
- 9) organises and implements currency regulation (Article 4);
- 10) has the right to issue normative acts binding on other persons and bodies (art. 7);
- 11) regulates, controls and supervises compliance by issuers with the requirements of the Russian Federation legislation on joint-stock companies and securities, as well as regulation, control and supervision in corporate relations in joint-stock companies (Article 76.2) ([Ruchkina et al., 2022, p. 26](#)).

The *Constitution of the Russian Federation* and the *Law on the Bank of Russia* do not give an unambiguous definition of the legal status of the Bank of Russia. Nevertheless, an analysis of the legislation allows to researchers to determine that the legislation classifies the Bank of Russia into the category of authorities. Such a conclusion can be drawn based on the literal interpretation of Article 75 of the *Constitution of the Russian Federation*, which assigns to the Bank of Russia the main function such as “Protection and ensuring the stability of the ruble is the main function of the Central Bank of the Russian Federation, which it performs independently of other state authorities” ([The Constitution..., 2020](#)), as well as Article 1 of the *Law on the Bank of Russia*, which contains the norm that “The functions and powers provided for by the Constitution of the Russian Federation and this Federal Law, the Bank of Russia exercises independently of other federal state authorities, state authorities of the subjects of the Russian Federation and local self-government bodies” ([On the Central Bank of the Russian Federation, 2002](#)).

In these provisions, the key to the status of the Bank of Russia is the following wording of the legislator – “regardless of other authorities.” It is she who makes it possible to classify the Bank of Russia into the category of authorities. In addition, the legal position of the Bank of Russia is supported by the authority of the Bank of Russia, provided for in Article 7 of the *Law on the Bank of Russia*, to give its own conclusions on draft federal laws and regulatory legal acts of

federal executive authorities concerning the performance of the Bank of Russia's functions. Thus, the Bank of Russia ensures the adoption of laws and regulations necessary for its activities.

The function of protecting and ensuring the stability of the ruble, provided for in Article 75 of the Constitution of the Russian Federation, which the Bank of Russia performs on behalf of the state, is not limited only to the issue of banknotes. It also covers a broader process of regulating monetary circulation. According to Article 71 of *the Constitution of the Russian Federation*, financial and credit regulation is under the Russian Federation jurisdiction. However, this function on behalf of the state on the basis of Article 4 of the *Law on the Bank of Russia* is implemented by the Bank of Russia, which develops and implements a unified state monetary policy in cooperation with the Russian Federation Government.

It should note that since 2013, after the adoption of the Federal Law No. 251-FZ *On Amendments to Certain Legislative Acts of the Russian Federation in Connection with the Transfer to the Central Bank of the Russian Federation of Powers to Regulate, Control and Supervise Financial Markets*, dated July 23, 2013, The Bank of Russia performs that "Documents and information on transactions, accounts and deposits, as well as information on specific transactions of individuals, individuals persons engaged in entrepreneurial activity without the formation of a legal entity and legal entities are represented by credit organisations to the Bank of Russia when the Bank of Russia performs the functions of, defined by federal laws" (*On Amendments to Certain Legislative Acts of the Russian Federation, 2013*).

Based on this, the main function of the Bank of Russia is to become the financial regulation of the entire financial market of Russia as a whole, regulating not only banking activities and the activities of credit institutions, but also the activities of other financial market participants – non-credit financial organisations. At the same time, the Bank of Russia is not part of the Russian Federation Government and does not form a separate ministry.

## ***2. Analysis of the functions and powers of the Central Bank***

It is worth starting with the fact that the term "function" is interpreted differently in economic and legal science. If a function is considered to be a specific, permanent interaction of the bank as a whole with the external environment in the theory of banking, then the function expresses the main activities of the monetary institution from the viewpoint of banking law. Hence, the function of the central bank is its activity as a separate entity, a separate legal entity in relation to other entities (*Krymova, 2022, p. 46*).

The Bank of Russia performs its functions in accordance with the *Constitution of the Russian Federation*, Federal Law No. 86-FZ *On the Central Bank of the Russian Federation (Bank of Russia)* and other federal laws.

*The Law on the Central Bank* establishes a list of functions of the Bank of Russia, which does not exclude the implementation of other functions according to federal laws. These functions can be classified into five groups:

- 1) monetary regulation functions,
- 2) regulatory regulation functions,
- 3) operational function,
- 4) information and analytical function,
- 5) supervisory and control function (*Alekseeva et al., 2022, p. 87*).

Within the first group of functions, the Bank of Russia, being the center of the domestic banking system. In this aspect, the Bank of Russia performs the following sub-functions:

- develops and implements a unified state monetary policy jointly with the Russian Federation Government;
- develops and implements a policy of development and ensuring the stability of the functioning of the Russian financial market jointly with the Russian Federation Government;
- monopolistically issues cash and organises cash circulation;
- acts as a lender of last resort for credit institutions, organises their refinancing system.

In this function, the role of the bank, designed to regulate money turnover, is viewed. Being an issuing center, acting as an organiser of cash circulation, an institution for supporting the liquidity of commercial banks in case of a short-term need for additional funds, the Central Bank of the Russian Federation, which performs this function, implements its purpose in the economy.

Within the second group of functions, the Bank of Russia has normative activities. This function provides:

- developing rules for conducting banking operations;
- determining the rules of settlement in the Russian Federation;
- determining the order and rules of accounting and reporting not only for the banking system, but also for the entire financial market;
- developing rules for settlements with international organizations, states, as well as with legal entities and individuals.

The activity of the Bank of Russia in creating regulations regulating banking operations, accounting and reporting procedures for the activities of all economic entities of the financial market of the country gives it the opportunity to streamline and develop their work, create a common methodological base, uniform standards of their activities, allowing them to serve their customers within the framework of current legislation.

Within the third group of functions, the Bank of Russia has the authority to:

- performing independently or on behalf the Government of the Russian Federation all types of banking operations and other transactions;
- effectively managing the gold and foreign exchange reserves of the Bank of Russia;
- servicing budget accounts of all levels of the budget system of the Russian Federation.

The powers defined by this function allow the Bank of Russia to conduct a wide range of activities, serve a diverse list of needs of economic entities, and, if necessary, act as an authorised agent of the state for conducting settlements on financial transactions.

Within the fourth group of functions, the Bank of Russia:

- analyses and forecasts the state of the Russian economy as a whole and by region, primarily monetary, monetary, financial and price relations, publishes relevant materials and statistics;
- participates in the development of the forecast of the balance of payments of the Russian Federation and organises its compilation;
- sets and publishes official exchange rates of foreign currencies against the ruble, etc.

For the Bank of Russia, this function is of particular importance. Without its implementation, it is almost impossible to regulate money turnover based on material and financial flows. The analysis and forecasting of the country's economic development are the intellectual basis that makes it possible to determine the dynamics and structure of monetary relations.

Within the 5<sup>th</sup> group of functions, the Bank of Russia is the supervisory authority over all points of the banking system. He analyses the activities of individual banks.

The main task of this function is to preserve the Russian Federation banking system stability. The supervisory functions are performed by the Banking Supervision Committee. The Banking Supervision Committee of the Bank of Russia is a permanent body through which the Bank of Russia performs regulatory and supervisory functions established by the Russian Federation legislation.

Thus, within this group, the Central Bank exercises the following powers:

1. Making a decision on the state registration of credit organizations, non-state pension funds.
2. Approves the standards for the issue of securities, establishes the procedure for registration of issues (additional issues) of equity securities, securities prospectuses, reports on the results of the issue (additional issue) of equity securities, as well as the procedure for admission of securities of foreign issuers to placement and (or) public circulation in the Russian Federation and the procedure for registration of securities prospectuses securities of foreign issuers (*On the Securities Market, 2022*).
3. Implementation of “supervision of the activities of a credit institution” (*On Banks and Banking Activities, 2022*) and banking groups. It is worth noting here that the Central Bank “has the right to conclude agreements with credit organisations, according to which the Central Bank of the Russian Federation undertakes to compensate such credit organisations for part of the losses (expenses) incurred by them on transactions with other credit organisations made from the date of entry into force of this Federal Law and until December 31, 2010 inclusive who have had their banking license revoked” (*On Additional Measures..., 2008*)
4. Implementation of regulation, control and supervision of the activities of non-credit financial organisations.
5. Supervision and supervision in the national payment system;

These powers allow the Bank of Russia to fulfill targets aimed at developing and strengthening not only the banking sector of the country, but also the entire financial market of Russia.

In present days, the central bank acts as a key element of the financial and credit system of any developed state. Like any bank, the central bank operates in exchange. By creating its product in the form of cash and non-cash means of payment, issuing them into circulation, it provides an opportunity for continuous circulation and turnover of capital of economic entities, a continuous process of production, distribution, redistribution, and consumption of public product. He acts as the conductor of the official monetary policy. In turn, monetary policy, along with budgetary policy, forms the basis of the entire state policy of the country.

## Conclusion

*Thus*, the Central Bank is a key link in the entire banking system of the country. It performs a monopoly issue of money. It is the bank of banks, the banker of the Government, the main settlement center of the country and the body regulating the economy by monetary methods. All of the above are the functions of the Bank of Russia. Its status, tasks, functions, powers, and principles of organisation of activities are defined by the Law *On the Central Bank of the Russian Federation (Bank of Russia)* dated July 10, 2002.

The Central Bank of Russia is primarily interested in the state and stability of the country's banking system. It analyses the degree of compliance by banks with economic regulations, the frequency of contributions to centralised funds and determines the effectiveness of state regulation of banking activities.

In the modern world, the Central Bank of Russia is a key element of the country's financial and credit system. It acts as a conductor of monetary policy, which is designed to influence the exchange rate, interest rates, the total amount of liquidity of the banking system and, consequently, the economy. Achieving these goals makes it possible to achieve stable economic growth, reduce unemployment and inflation. As a result of operations conducted by the Central Bank on the open market, the volume of own resources of commercial banks individually and the banking system as a whole change, which entails a change in the cost of credit and, as a consequence, the demand for money.

In addition, the Central Bank of Russia conducts direct and holistic control and supervision of the activities of commercial banks in Russia. This is done in order to ensure the stability of individual banks and the banking system as a whole. Therefore, the correct performance of the functions of the Bank of Russia is of great importance for our country.

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