ORIGINAL PAPER

DOI: 10.26794/2220-6469-2023-17-1-83-93
UDC 336(045)
JEL G1

Reassessment of the Role and Functions of the Russian Financial Market in the Context of Structural Transformation of the Economy

M.L. Dorofeev
Financial University, Moscow, Russia

ABSTRACT

A well-developed financial market has a central role in the savings management and investments in the economy and accelerates the economic growth. Geopolitical events in Ukraine, in which Russia got involved in February of 2022, fundamentally changed Russia's foreign trade policy in terms of export-import payments. A large number of external and internal restrictions left a considerable impact on the effectiveness of the previous model of the Russian financial market. Today our country faces the need to carry out radical structural changes in its economy. Due to this fact there is an evident increase in the importance of the problems identification in the Russian financial market as well as in the development of optimal solutions of the issue. The purpose of this article is to assess the role and dynamics of the financial market's development before and after the February events of 2022. Moreover, the article makes an emphasis on the change in the functions performance quality of the financial market.

Keywords: financial market; sanctions; structural transformation of the economy; economic growth; ruble exchange rate; international payments

For citation: **Dorofeev M.L. Reassessment of the role and functions of the Russian financial market in the context of structural transformation of the economy. *The World of New Economy*. 2023;17(1):83-93. DOI: 10.26794/2220-6469-2023-17-1-83-93**

INTRODUCTION

Like any other market, the financial market is formed on the basis of economic relations between its participants. The only problem is that the object of this relationship is not real assets (real estate, foodstuff, cars, etc.) but financial resources. In most cases, the financial market is structurally represented as a set of backbone segments: currency, credit, insurance markets, as well as securities market [1, 2].

A well-developed financial market plays a central role in the management of savings and investment in the economy. By qualitatively fulfilling its functions, it contributes to accelerating economic growth [3–7]. One of the most representative signs of financial market sophistication is the ratio of equity market capitalisation to a country's GDP (*Table 1*). The value of this indicator compared with the level of 100%, indicators of other countries and historical extremes characterises the demand for and willingness to invest in the equity market of a particular country. The higher this indicator, the greater the outlook for investors and vice versa.

In countries such as the US, Japan, the Netherlands, Singapore, South Africa and Hong Kong the stock market capitalisation is more than one and a half times the size of their GDP. In many cases this is due to a trade surplus, current benefits from commodity markets, the status of an international financial centre and other competitive advantages of individual economies. In other words, with a strong economy and a good financial infrastructure, such as in the US. Investors, for one reason or another, are keen to buy shares in that country and the amount of money invested is quite substantial compared to the level of its GDP. On the one hand, this may indicate that there is great scope for corporates to raise financial resources in the financial market because its level of monetisation is quite high and, consequently, the conditions are very favourable for them. On the other hand, such high figures may indicate a lagging denominator, i.e., a stagnant economy, high unemployment, etc. while the stock market remains upward, as for example in South Africa and Japan after 2010. Stimulative monetary policy and the desire of domestic investors to save their savings from accelerating inflation can result in financial bubbles. The South African equity market situation is very similar to that of our country in 2020–2022, when the Bank of Russia began to gradually raise interest rates from a record low base. Emerging economies with commodity specific economies (Russia, Brazil, Mexico, South Africa, etc.) can have very different ranges and current equity market-to-GDP ratios. In this context, the Russian equity market continues to have a "black streak" today, as the level of equity market monetisation was low at the start of 2022 and has declined dramatically since the events of 2022. The role of the financial market for the development of the Russian economy has increased as it is now the only available funding platform for most participants. Many have been affected by the imposition of sanctions and the inability to raise capital in the euro-dollar segment of the global financial market, while other funding channels (financial markets of friendly countries) are still underdeveloped in terms of available financial instruments and financial infrastructure. As the Russian financial market has not recovered so far, there are objective obstacles to achieving the indicators set out in the Russian Federation's national development goals.

MATERIALS AND METHODS

Data from the Bank of Russia and Moscow Stock Exchange were used to analyse the dynamics of the Russian financial market. In comparing them, we took into account the relative indicators of the volume of assets

Table 1

Equity market capitalization in advanced and emerging economies as of mid-2022

Country	Economy type	GDP (trillion USD)	Market capitalisation to GDP on current date, %	Historical minimum, %	Historical maximum, %	Length of observation, years	Name of country ETF
USA	DM*	24.39	161.9	32.7	202.5	52	SPY
China	EM**	16.68	56.87	0.23	156.87	32	MCHI
Japan	DM	3.98	147.08	31.06	156.26	42	EWJ
Germany	DM	3.65	52.9	18.46	76.61	35	EWG
India	EM	2.96	89.17	21.34	156.25	25	INDA
United Kingdom	DM	2.78	99.54	46.15	177.37	38	EWU
France	DM	2.54	110.13	27.63	130.51	32	EWQ
Russia	EM	**2.25**	**25.7**	**7.53**	**123.55**	**25**	ERUS
Canada	DM	1.93	138.25	7.83	211.54	42	EWC
Italy	DM	1.81	23.72	15.5	77.28	25	EWI
Brazil	EM	1.58	47.9	19.28	101.95	25	EWZ
Korea	DM	1.57	90.43	11.38	132.58	26	EWY
Australia	DM	1.51	101.02	43.83	153.98	30	EWA
Mexico	EM	1.28	32.67	13.43	45.09	31	EWW
Spain	DM	1.23	50.21	25.05	126.48	29	EWP
Indonesia	EM	1.13	46.86	4.51	57.15	32	EIDO
Netherlands	DM	0.88	139.82	39	178.8	30	EWN
Switzerland	DM	0.77	253.71	54.62	298.52	32	EWL
Sweden	DM	0.52	162.79	25.21	217.38	32	EWD
Belgium	DM	0.52	64.18	31.76	103.75	31	EWK
Turkey	EM	0.4	33.28	5.5	76.55	30	TUR
Singapore	DM	0.38	175.06	64.91	354.46	35	EWS
South Africa	EM	0.37	292.88	94.79	340.2	27	EZA
Hong Kong	DM	0.37	976.85	104.82	1525.57	36	EWH
Egypt	EM	0.34	7.44	7.39	123.99	24	EGPT
Pakistan	EM	0.21	17.1	5.82	49.63	25	PAK
Maximum	-	24.39	976.85	104.82	1525.57	-	-
Mediana	-	1.40	89.80	23.20	143.28	-	-
Average	-	2.92	130.67	29.22	205.95	-	-
Average for DM	-	3.05	171.72	36.24	257.72	-	-
Average for EM	-	2.72	64.99	17.98	123.12	-	-
Minimum	-	0.21	7.44	0.23	45.09	-	-

Source: compiled by the author based on: https://www.gurufocus.com/global-market-valuation.php

Note: ETF — exchange traded investment fund, in this case allowing investment in the broad equity market of a single country; DM — developed economies; EM — emerging economies.

and trading as a percentage of GDP. In order to assess changes in the shares of a particular market, the dynamics of financial indicators of these markets were considered.

The analysis of the current state of the financial market was carried out by means of expert assessments based on publicly available data from official sources. Each financial market function was assessed on a 10-point scale, where "0" — was the lowest score and "10" — was the highest score. The current assessments of the quality of the financial market's functions are given as ranges, taking into account that attempts have been made in recent months to structurally transform it and create new opportunities for access to Asian international financial centres.

RESULTS

Analysis of Russian financial market development and its role in the functioning of the Russian economy until February 2022.

During the first twenty years of this century, the Russian financial market was effectively embedded in the global financial system and became an integral part of it [8]. Russia sold raw materials for US dollars, which, together with global speculative capital, moved freely across the border. After 2008, the Russian economic model developed in the context of a stable trade surplus and chronic capital outflows.[1] Paradoxically, with more than 20 years of history of the modern Russian financial market, given the distinctly commodity-specific nature of the Russian economy, the commodities market of Moscow Stock Exchange is still underdeveloped, low-liquidity and insufficiently deep compared to other segments [2]. This is largely due to the fact that the commodities that Russia produces, and exports are traded in foreign currencies and predominantly in foreign markets.

The depth of the Russian financial market in 2022 — is small to fully serve the needs of the economy, including large Russian borrowers. Specifically, Russia lags behind many developed economies in terms of bank lending to the private sector relative to GDP (59.9% versus 158.5% in OECD countries, 94.8% — in the Eurozone in 2020). That said, the credit market is comparable to some emerging economies (70.2% — for Brazil and 55.3% — for India). Russia's ratio of bonds issued by non-financial institutions to GDP is also below the level of OECD countries (8.1% versus 24.2% in 2020), as well as China (30.7%), while being close to Brazil (7%).[2]

The equity financing segment of the capital market has not yet become a significant source of financial resources for Russian companies. Between 2014 and 2022, about two dozen initial public offerings took place in the Russian financial market. The financial results of investor participation in Russian IPOs, as of mid-2022, do not look very encouraging.[3] At the same time on the US primary market, which is one of the deepest and most liquid in the world, a comparable number of placements take place within 1–2 months and many of the issues enable investors to earn hundreds of percent of net returns.[4]

Given the lack of depth in the Russian financial market and the limited availability of long-term financing, the role of enterprises' own funds in financing

[1] Bank of Russia. External sector statistics.URL: https://cbr.ru/statistics/macro_itm/svs/ (accessed on 25.08.2022).

[2] Bank of Russia. Main directions of development of the financial market of the Russian Federation for 2022 and the period 2023 and 2024. URL: https://www.cbr.ru/Content/Document/File/131935/onrfr_2021–12–24.pdf (accessed on 25.07.2022).

[3] Otkrytie Broker. Key results of past IPOs for companies and investors. URL: https://journal.open-broker.ru/investments/7-kompanij-kotorye-proveli-ipo-na-mosbirzhe-v-2021-godu/ (accessed on 25.07.2022).

[4] IPO calendar on the official Nasdaq Stock Exchange website. URL: https://www.nasdaq.com/market-activity/ipos (accessed on 25.07.2022).

Table 2

Statistical indicators of the banking sector of the Russian Federation

No.	Indicator	2017	2018	2019	2020	2021	Average annual growth rate, %
1	Banking sector assets, RUB billion	77 961	86 232	88 796	103 842	120 310	13.6
	in % of GDP	84.9	83.0	81.0	96.8	92.0	1.8
2	Corporate and retail loans, including arrears, RUB billion.	45 994	52 912	56 654	64 804	74 949	15.7
	in % of GDP	50.1	50.9	51.7	60.4	57.3	1.8
3	Investments in securities, RUB billion	10 564	11 484	12 012	16 151	17 289	15.9
	in % of GDP	11.5	11.1	11.0	15.0	13.2	0.4
4	Deposits of individuals, RUB billion	25 987	28 459	30 412	32 834	34 695	8.4
	in % of GDP	28.3	27.4	27.7	30.6	26.5	–0.4
5	Deposits and balances from corporate customers, RUB billion	24 843	28 005	28 146	34 067	39 885	15.1
	in % of GDP	27.0	27.0	25.7	31.7	30.5	0.9

Source: compiled by the author based on: URL: https://cbr.ru/statistics/bank_sector/review/

investment in fixed assets continues to grow. Their share in total investment financing sources has increased from 53% in 2018 to 55.2% in 2020. The relatively low level of financial literacy among the population and lack of confidence among domestic investors create a not very fertile ground for the normal functioning of the equity segment of the Russian financial market. On the other hand, the pace of its development allows us to talk about competitive advantages in the global financial market.[5]

According to Bank of Russia statistics, corporate loans and loans to the household sector are on average growing faster than the Russian economy by 5 percentage points per year (*Table 2*).

To clearly compare the role of the banking sector and the credit market with the stock, currency, futures and commodity markets, let us look at the statistical indicators of the main markets of the Moscow Stock Exchange (*Table 3*).

According to *Tables 2* and *3* we see that individual savings in bank deposits (about 34 trillion roubles as of the end of 2021) are sufficient to buy out the entire Russian stock market (about 30 trillion roubles as of the end of 2021), which is traded on the Moscow Stock Exchange. If we add deposits of corporate clients in the banking sector (about RUR 40 trillion at the end of 2021) to individual deposits, this would be more than enough to

[5] Moscow Stock Exchange. Annual reports and Related Party Transaction Reports. URL: https://www.moex.com/s1346 (accessed on 25.07.2022).

Table 3

Statistical indicators of the segments of the financial market, which are served by the Moscow Exchange, trading volumes in billion rubles

Moscow Stock Exchange market segment	2017	2018	2019	2020	2021	Average annual growth rate, %
Stock market	35413	40671	40662	54522	52430	12.0
in % of GDP	38.6%	39.2%	37.1%	50.8%	40.1%	0.4
The market for shares and unit investments	9185	10830	12443	23905	29997	56.6
Bond market	26228	29841	28219	30617	22433	−3.6
Money market	419750	381781	366452	433176	476352	3.4
in % of GDP	457.0%	367.6%	334.3%	403.6%	364.2%	−23.2
Foreign exchange market	347755	349198	308579	329460	322033	−1.8
in % of GDP	378.6%	336.2%	281.5%	307.0%	246.2%	−33.1
Derivatives market	84522	89317	82479	129953	158530	21.9
in % of GDP	92.0%	86.0%	75.2%	121.1%	121.2%	7.3
Commodity market	128	152	85	78	224	18.8
in % of GDP	0.1%	0.1%	0.1%	0.1%	0.2%	0.0

Source: compiled by the author based on: URL: https://www.moex.com/ru/ir/interactive-analysis.aspx

buy back all issued shares on the Russian stock market, the market capitalisation of which was about RUR 63 trillion at the end of 2021.[6]

Stock market turnover averaged around 40% of GDP over the period 2017–2021. At the same time, corporate and retail lending, including arrears, hovered around 55–60% of GDP. Thus, the key role in financing the economy is played not by the stock market but by the credit market. The currency and money markets far outnumber the stock market in terms of trading volume on the Moscow Stock Exchange. In the money market, almost all trading volume takes place in the REPO segment, which involves lending against various securities with or without the participation of a central counterparty, as well as in other formats. Moscow Stock Exchange's derivatives market developed at the fastest pace compared to other segments of the financial market. The futures market can be considered the most dynamic, with a very significant trading volume among the others (about 120% of GDP).

Assessment of the current state of the financial market after the events of February 2022

The transformation that happened to the financial market in 2022 is colossal in its scale and implications for the development of the Russian economy. Our financial system has become partially disconnected from the international financial infrastructure. The disconnection of the banking system from Swift, the withdrawal of credit ratings from international rating agencies, the demarche of the Big Four auditors and other events have

[6] Moscow Stock Exchange. Market capitalisation. URL: https://www.moex.com/s26 (accessed on 25.07.2022).

changed the investment status of the Russian financial market. It has lost a significant share of foreign liquidity from non-residents, whose share was between 15% and 35% in different segments. At the same time, some foreign capital was locked up inside the Russian financial system for an indefinite period of time, which was a response to the blocking and confiscation of Russian state gold and foreign currency and exchange reserves, financial assets and property abroad. As a result, the Russian financial market was deprived of external sources of funding and left alone with itself and the resources of the domestic investors (residents).

The large number of internal restrictions that have been imposed by the regulator to stabilise the Russian financial market have also had an impact on the quality of its performance. For example, the introduction of compulsory foreign currency sales commissions in February 2022, the abolition of the budget rule, sanctions against the Central Bank of the Russian Federation, and the almost total blockage of cross-border capital flows have resulted in a monstrous imbalance of supply and demand for foreign currency in the Russian foreign exchange market, given the current level of hydrocarbon prices. Although the exchange rate has been described for several months as entirely market-based,[7] it has certainly been so with serious reservations. Administrative regulation of the financial market and a ban on capital outflows out of Russia have done their job in a few months, strengthening the exchange rate to absurd levels. Another significant argument in favour of the thesis of existing imbalances in the Russian financial market is the large skew in the cost of comparable imported goods in Russia and abroad. The difference in prices of similar imported goods sold in Russia and abroad was as high as 30% by mid-2022. Even the removal of most of the restrictions in early autumn 2022 did not help to restore the rouble exchange rate to the level of the beginning of the year. In fact, the old "version" of the financial market was liquidated in February 2022, and since then its new model has been born.

Table 4 shows the results of the analysis of the quality of the financial market's functions as of January and September 2022. The situation is now improving on most fronts, but still, it remains much worse than at the beginning of 2022.

DISCUSSION

In our analysis of Russian financial market development priorities and principles for the medium term, we assume that the sanctions and trade restrictions imposed against Russia will have long-term consequences. During the active phase of the special military operation, which may last longer than expected, not only are the current sanctions likely to remain in place, but the new ones are also likely to be introduced. Most likely, the external environment will remain unfavourable for the Russian financial market for quite a long time (at least 2 presidential cycles).

Certainly, in order to develop the domestic financial market, the Bank of Russia should move in the same directions as it did in early 2022, which include: improving the protection of consumers of financial services; promoting digitalisation; improving accessibility of financial services; developing competition in the financial market; ensuring financial stability; promoting sustainable development goals and continuing ESG transformation of Russian businesses; developing the capital and long-term financing market.[8] However, it

[7] RBC: Maksim Oreshkin calls rouble exchange rate absolutely market-based. URL: https://quote.rbc.ru/news/article/62860ea49a7947ce2565ecdb (accessed on 01.09.2022).

[8] Bank of Russia. Main directions of development of the financial market of the Russian Federation for 2022 and the period 2023 and 2024. URL: https://www.cbr.ru/Content/Document/File/131935/onrfr_2021–12–24.pdf (accessed on 01.08.2022).

Table 4

Results of analysis of the functions performance quality of the financial market as of January and September 2022 and quantitative assessments on a scale from 0 to 10

The function of the financial market	01 Jan. 2022	01 Sept. 2022	Notes
Redistributive	10	6–7	Following infrastructure restrictions, blockages of foreign securities, the demarche of two international payment system operators, restrictions on cross-border capital flows, a ban on cash withdrawals of foreign currency and the introduction of foreign currency storage fees from unfriendly countries at Russian financial institutions, this function has been performing noticeably worse than it was at the beginning of the year. At the same time, part of the financial infrastructure continues to work, domestic payment systems are involved, and attempts are being made to expand their coverage in foreign countries
Savings (investment)	10	5–6	Sanctions and restrictions imposed by unfriendly countries, as well as retaliatory sanctions and regulatory restrictions by Russia, have reduced the opportunities for investing in foreign securities and financial assets to a minimum. The domestic financial market remains insufficiently deep and is undergoing painful restructuring. At the moment, there are not many investment opportunities for investors and most of them do not allow them to outperform inflation. In the future, financial markets in friendly countries (Hong Kong, China, India, Turkey, etc.) may be open to the retail investor. At the same time, the Bank of Russia is tightening the qualification requirements for investors, thereby cutting off opportunities for most of them to invest in something. The list of investment strategies for sovereign fund reserves and Russia's gold reserves, which include foreign financial assets, has been reduced to almost zero. There is still no new budget rule, as it is simply not clear where one can safely invest in order not to face another blockage of reserves. The St Petersburg Stock Exchange, which was an intermediary for Russian retail investors to invest in foreign securities, has effectively been put out of business entirely by the blocking of Western infrastructure and now has to completely refocus to Asian markets
Mobilisation of capital	7	4–5	At the beginning of the year, the key rate of the Central Bank of the Russian Federation was already in a steady upward trend, which severely worsened the borrowing and capital-raising environment in the market. In March 2022 the Bank of Russia introduced a prohibitive key rate of 20%. The Russian financial system was largely disconnected from SWIFT. Sanctions were imposed on Russia's debt market. Major Russian banks were placed on the SDN list. Even those who were not sanctioned had problems servicing their debt securities due to the inability to make payments on them. In fact, the Russian financial market was cut off from the global financial system. As of March-April, the Russian financial market was barely fulfilling this function (0–1 point). Following a rapid reduction in the CBR's key rate in the second quarter of 2022, the situation in the financial market has improved and credits have become more accessible. The Russian Finance Ministry said it plans to return to the OFZ (federal loan bond) market ahead of schedule this year. However, most of the external and internal constraints remained in place, so this function is being performed by the market significantly worse than at the beginning of the year. At the moment it is not possible to raise capital through the Russian equity market by means of open subscription. Due to the withdrawal of foreign ratings, financial resources from foreign institutional investors and large funds are not coming in
Protection against risks	8	3–4	The main problem at the beginning of this year was the low depth and liquidity of the financial market and its derivatives section. As of mid-2022, this problem has become many times greater. The Russian financial market does not allow for sufficient protection against currency risk, as this service is prohibitively expensive for most participants, both on the spot market because of the fees and restrictions imposed, and on the derivatives market because of low liquidity and high collateral requirements. The main problem in terms of this function is the reduction in liquidity and market depth. For the retail investor, hedging services are expensive and for institutional investors there is a lack of liquidity in the market. In addition, the list of instruments, including «non-toxic» foreign currencies, available for investment has shrunk substantially. Consequently, opportunities for investment portfolio diversification have also deteriorated significantly

Table 4 (continued)

The function of the financial market	01 Jan. 2022	01 Sept. 2022	Notes
Pricing	10	3–4	Many restrictions were imposed on the financial market by unfriendly countries. Russian regulators have used a large amount of direct administrative market regulation, including bans on selling assets, on non-residents exiting the market, on buying foreign assets, on publishing financial statements, etc. The consequence of these measures has been to lock the market to domestic investors who are disoriented and are unable to form an adequate fundamental assessment of the financial assets circulating on the Russian stock market. In our view, it is impossible to argue that current market prices are efficient because of the inoperability of inter-market arbitrageurs due to the blockage of cross-border capital flows
Informative	10	7–8	This is probably the function that the market continues to perform better than others. The analysis of indicators on the domestic and foreign financial markets makes it possible to assess various processes in the economy. However, reduced liquidity and the temporary suspension of some financial market segments (e.g. the OFZ (federal loan bond) market with maturity up to one year or the Swiss franc exchange market on the currency section of Moscow Exchange) reduce to a certain extent the informativeness of the Russian financial market
The average value	9,2	4,7–5,7	-

Source: compiled by the author.

is clear that the trajectories in these directions will have to change to a greater or lesser extent, depending on the involvement of foreign technology and infrastructure.

The general trend in the coming decade will be for Russia to turn eastwards, towards Chinese financial infrastructure and markets. In the author's opinion, for the time being only the Yuan can become a substitute for Western reserve currencies as world money, since imports from China account for over a quarter of the total, whereas from India, Turkey, Vietnam, etc. it does not exceed 2% for each country.[9] Unfortunately, this would be an insufficient substitute for the Eurodollar currency system, since the Chinese financial market, like the Russian one, is an emerging market and contains many risks for external investors [9].

The development of financial infrastructure within the EurAsEC can also mitigate the negative impact of foreign sanctions on the Russian financial market and economy [10–13]. However, it is clear that the member states of the Eurasian community will try to avoid the risks of falling under secondary US sanctions, so Russia will have to be "creative" to successfully meet this challenge. Given the heavy dependence of the Western world on Russia's raw material resources, the US is not expected to impede this.

The main investors in the Russian economy over the next 10 years should be residents and the state. It makes sense to introduce financial literacy programmes to attract more investors, while ensuring that they receive the necessary level of protection from the mega-regulator [14–16]. Financial literacy lessons in schools seem justified in this context.[10]

Obviously, the experience gained should force Russia to develop financial instruments that allow domestic investors to invest in the real economy of Russia on a long-term basis. This includes Russia's international reserves, which today are extremely difficult to invest in foreign financial assets at minimal yields.

A promising direction is the initiative to develop a settlement system and service infrastructure in national currencies. It requires a switch to pricing Russian exports in roubles,

[9] Structure of imports to Russia from different countries of the world. URL: https://tradingeconomics.com/russia/imports-by-country (accessed on 01.09.2022).

[10] RBC. Russian schoolchildren to be taught financial literacy on a compulsory basis. URL: https://www.rbc.ru/finances/08/07/2021/60e6d86b9a7947f1088532bf

which in the long term will increase the number of foreign participants in the Russian financial market and partially solve the problem of its lack of depth and liquidity. It would be advisable to develop this area precisely as part of a two-loop currency system in which the internal rouble would be a managed currency and the external rouble would be a market currency. The use of digital currencies for international settlements also seems rational. It should be noted that for the development of the domestic economy our country does not benefit from a strong exchange rate, because it does not stimulate domestic production and development of innovations and makes all factors of production very expensive compared to their foreign counterparts. At the same time, a stable and strong external rouble could become one of the new world reserve currencies that are in demand by residents of friendly countries.

CONCLUSIONS

The changes that occurred to the Russian financial market in February-March 2022 are striking in their scope and implications. Russia's financial market has been cut off from the global market into which it has been very long and consistently embedded since the collapse of the USSR. Isolated from foreign investment, the Russian economy can now only rely on domestic investors and the financial resources of the Russian financial market.

According to various estimates, the current level of quality of the Russian financial market has fallen by about half, but the pace of recovery is fairly rapid. The role of the domestic financial market for the Russian economy has increased significantly, so more effort is needed to develop it than before. Clearly, it is not possible to return to the quality indicators at the beginning of the year under the prevailing circumstances. It is therefore necessary to rebuild not only the economy but also the relevant infrastructure of the Russian financial market in order to ensure that it at least partially regains its functions.

For the Russian financial market in the current circumstances there is a need to:

- develop in line with the previously adopted strategy, subject to a number of adjustments;
- to be oriented towards the East, predominantly towards the Shanghai and Hong Kong global financial centres;
- promote the role of the Yuan as a fiat currency for holding international reserves;
- develop infrastructure and accessibility of financial services for domestic investors;
- develop instruments for investing long money in the domestic financial market;
- to accelerate the transition of international settlements based on national currencies;
- assess the prospects of introducing a two-loop currency system in which the domestic rouble (non-strength and manageably devalued) would be designed for the development of the Russian economy, and the external (market-based, possibly based on the digital rouble) — for international settlements and reserves.

REFERENCES

1. Krasikov D.A. Financial market as the economic and legal category. *Vestnik Saratovskoi gosudarstvennoi yuridicheskoi akademii = Saratov State Law Academy Bulletin.* 2018;(1):207–213. (In Russ.).
2. Rulinskaya A.G., Taranov A.V., Kovalerova L.A. et al. Russian financial market: Modern characteristics, instruments, regulators. Bryansk: Bryansk State University named after acad. I.G. Petrovsky; 2015. 122 p. (In Russ.).
3. Mandron V.V., Zverev A.V., Mishina M. Yu. Financial markets of modern Russia: Peculiarities of regulation and development trends. *Vestnik Bryanskogo gosudarstvennogo universiteta = The Bryansk State University Herald.* 2018;(1):226–234. (In Russ.).
4. Novikov A.V., Novikova I. Ya. Development of the financial market as a driver of economic growth in Russia. *Idei i idealy = Ideas and ideals.* 2020;12(1–2):319–352. (In Russ.). DOI: 10.17212/2075–0862–2020–12.1.2–319–352

5. Kotlyarov M.A., Lomtatidze O.V. Directions of development of the financial market of Russia. *Finansovaya analitika: problemy i resheniya = Financial Analytics: Science and Experience*. 2010;(4):24–32. (In Russ.).
6. Galimova G.A. The role of the financial market in the development of the financial system of the region. *Finansy Bashkortostana = Finance Bashkortostan*. 2014(1):35–38. (In Russ.).
7. Esakova D.A., Tropynina N.E. Problems and directions of development of the Russian stock market at the modern stage of functioning. *Innovatsionnaya ekonomika: perspektivy razvitiya i sovershenstvovaniya = Innovation Economy: Prospects for Development and Improvement*. 2021;(3):33–38. (In Russ.). DOI: 10.47581/2021/FA-09/IE/53/03.006
8. Abilkasymov B. Zh., Alekseev P.V., Belavina A.A. et al. World financial market and Russia. Moscow: KnoRus; 2021. 340 p. (In Russ.).
9. Kozlov L.E. Specifics of the financial audit in modern China. *Izvestiya Dal'nevostochnogo federal'nogo universiteta. Ekonomika i upravlenie = The Bulletin of the Far Eastern Federal University. Economics and Management*. 2015;(4):106–116. (In Russ.).
10. Abramova M.A., Lavrushin O.I., Pishchik V. Ya. et al. The draft guidelines for the development of the Russian financial market in 2019–2021 prepared by the Bank of Russia: Expert opinion of Financial University. *Ekonomika. Nalogi. Pravo = Economics, Taxes & Law*. 2019;12(3):17–24. (In Russ.). DOI: 10.26794/1999–849X-2019–12–3–17–24
11. Lvova N.A., Korshunov O. Yu., Rakhimov Z. Yu. Implementation of the sustainable finance paradigm in the EAEU financial market development strategy. *Nauchnyi zhurnal NIU ITMO. Seriya: Ekonomika i ekologicheskii menedzhment = Scientific Journal NRU ITMO. Series: Economics and Environmental Management.* 2021;(1):32–42. (In Russ.). DOI: 10.17586/2310–1172–2021–14–1–32–42
12. Blazhevich O.G., Safonova N.S. Features of the financial market development in the conditions of digitalization. *Nauchnyi vestnik: finansy, banki, investitsii = Scientific Bulletin: Finance, Banking, Investment.* 2021(1): 106–124. (In Russ.). DOI: 10.37279/2312–5330–2021–1–106–124
13. Blokhina T.K., Rodin N.M. Financial services market and its role in the formation of the common financial market of the Eurasian Economic Union. *Vestnik Evraziiskoi nauki = The Eurasian Scientific Journal.* 2021;13(6):70. (In Russ.).
14. Pastushenko E.N., Malykhina E.A., Zemtsova L.N. Improving financial literacy as a function of the Central Bank of the Russian Federation in the digital economy. *Vestnik Saratovskoi gosudarstvennoi yuridicheskoi akademii = Saratov State Law Academy Bulletin*. 2021;(5):227–233. (In Russ.). DOI: 10.24412/2227–7315–2021–5–227–233
15. Dorofeev M.L. Modern methodology for identifying "bubbles" in the stock market. *Bankovskoe delo = Banking*. 2021(7):24–33. (In Russ.).
16. Dorofeyev M.L., Domashchenko D.V. Influence of the level of financial literacy of the population on the dynamics of its well-being in the conditions of the modern financial market. *Trud i sotsial'nye otnosheniya = Labour and Social Relations Journal*. 2012;23(9):120–128. (In Russ.).

ABOUT THE AUTHOR

Mikhail L. Dorofeev — Cand. Sci. (Econ.), Associate Professor of the Departemnt of the Public Finance, Financial University, Moscow, Russia
https://orcid.org/0000-0002-2829-9900
dorofeevml@ya.ru

Conflicts of Interest Statement: The author has no conflicts of interest to declare.

The article was received on 20.08.2022; revised on 10.09.2022 and accepted for publication on 05.12.2022. The author read and approved the final version of the manuscript.