

## MIFC UK-Russia Joint Liaison Group Holds 5th Meeting

Moscow hosted a fifth meeting by the MIFC UK-Russia Joint Liaison Group. The meeting was co-chaired by Head of MIFC Taskforce Alexander Voloshin and the Lord Mayor of the City of London Alderman Roger Gifford. The sides debated topical Liaison Group issues such as derivatives market development, securities operations and wider public-private partnership (PPP) implementation. The agenda included improvements to legislation and administration; education, training and certification of licensed financial market participants. Deputy Chairman of the Bank of Russia Sergey Shvetsov briefed the British partners on the megaregulator progress.

### **In his opening speech, Alexander Voloshin named a number of key Russian financial market achievements of the past 6 months:**

*- This February, the new integrated Moscow Exchange conducted a successful IPO on its own platform, demonstrating possibilities for large companies to raise capital here in Russia. This IPO, the largest ever to take place exclusively on a Russian exchange, must serve as a case study for other privatizations that will follow this and next year. By the way, you probably know that almost a quarter of the Moscow Exchange shares were purchased by British investors.*

*Also in February, the Moscow Exchange became the first exchange in the CIS to allow foreign banks direct access to its foreign exchange market. The Russian Central Depository, a key element of this new financial infrastructure, has already become fully operational, and two leading international depositories, Euroclear and Clearstream, have opened CD accounts there. These steps will ease foreign investors' access to Russian securities, starting with the highly attractive Federal Government bonds market.*

*In May, Russia completed the first phase of legislative work toward establishing a financial megaregulator, the finalized draft of the Central Bank Act has been passed in the first reading by the State Duma.*

*In April, the Government granted the Ministry for Economic Development the right to apply to diplomatic missions and consulates to back visa requests by representatives or employees of major foreign companies investing in Russia, as well as Skolkovo and MIFC participants. These new regulations will create a better business climate for foreign investors.*

### **The Lord Mayor of the City of London Alderman Roger Gifford commended the efforts made by the Joint Liaison Group:**

*-- Since we last met in December, progress has been very rapid. Increasingly, we see the workstreams as part of wider continuing dialogue, a partnership that we are establishing, a bridge between our two markets. As you know, I have worked in*

*banking for the last 35 years, and I am very aware that good access to capital liquidity and investors is essential to a well functioning sophisticated market economy, which we want to create here.*

**Deputy Chairman of the Bank of Russia Sergey Shvetsov spoke on the details of the megaregulator creation process and Russian financial market development:**

*-- A year ago we had a full basket of plans. I think we have done a lot, like the Trade Repository, Central Depository implementation, stock exchange merger. We are proud that we are able to deliver and we hope that this project will pave the path to Russia for foreign investors. Among future projects, the most important is the creation of the internal investor, without which it is very hard to provide financial stability for the market. The Central Bank is responsible for that and we are very interested in creating a huge base of internal investors.*

*The reason of the megaregulator reform is mainly to concentrate financial and human efforts on change of regulatory behavior. We now have about five regulators, and the bureaucracy is very tough. The financial market management system has delayed the creation of the IFC. The merger will centralize development, supervisory and regulatory functions under the Central Bank umbrella. The Ministry of Finance will continue its key role as a second pillar of the system.*

*We will give the industry some time to change their business models and IT systems, to implement necessary regulation changes. It will not be a revolution, it will be a very soft reform, but in the end it will be a stable understandable market for local and foreign investors with a modern level of minority rights protection.*

The parties noted significant improvements in Russian financial infrastructure and financial markets regulation. Long term finance has been named a priority for the UK-Russia Joint Liaison Group, and a dedicated workstream is to be set up soon.

The Russian Chairman of the Board of International Investment Bank, Deputy Co-Chairman of the UK-Russia Liaison Group Nikolay Kosov, Chairman of the Executive Board of Moscow Exchange Alexander Afanasiev, Deputy Chairman of the Executive Board of Moscow Exchange Andrey Shemetov, Deputy Chairman of the Board of the National Stock Market Participants Association (NAUFOR) Alexey Artamonov, Executive Vice President of Russian Union of Industrialists and Entrepreneurs (RSPP) Oleg Preksin, Deputy Chairman of Vnesheconombank Sergey Vasiliev, Public-Private Partnership Center Director Alexander Bazhenov, Center for Strategic Research President Mikhail Dmitriev, IBS Group President Anatoly Karachinsky.