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City Schemes to Avoid Bank Tender

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Moscow officials intend to avoid a tender for the sale of Bank of Moscow by transferring its shares into the capital of the Tsentralnaya Toplivaya Kompania fuel company, which will then sell them to VTB.

A resolution is being drafted to transfer the Bank of Moscow stock into the charter capital of a company controlled by the city, an official in the mayor's office said, without mentioning the name of the company.

The city could buy additionally issued Tsentralnaya Toplivaya Kompania stock for about 90 billion rubles (about $3 billion) and pay for it with Bank of Moscow and Stolichnaya Strakhovaya Gruppa shares, sources close to Bank of Moscow told Vedomosti.

One source suggested that the fuel company could transfer the money it receives into the city budget in the form of dividends. The company is wholly owned by the city, judging from the disclosure of affiliated parties it made on Sept. 30.

Soon after taking office, Mayor Sergei Sobyanin reached an agreement with the management of VTB on the sale of the city's share in Bank of Moscow, which consists of 46.48 percent of the bank's stock and a blocking share in Stolichnaya Strakhovaya Gruppa insurance company, which owns a 17.3 percent share in the bank.

Last November, VTB president Andrei Kostin said there were plans for VTB to buy 100 percent of the shares in Bank of Moscow by May.

In spite of the high level at which the agreement was reached, other contenders for Bank of Moscow emerged. One of them, Alfa Bank, recently contacted Sobyanin, Central Bank head Sergei Ignatyev and Federal Anti-Monopoly Service chief Igor Artemyev to ask for an open tender for the city's share of the bank.

The shares would sell for more money that way, Alfa Bank said.

Ignatyev stated that it would be better to sell the stake competitively.

It is too early to estimate the price of the Tsentralnaya Toplivaya Kompania stock issue, a source says. City officials do not plan to transfer the bank's stock at market price, which has yet to be established.

At the end of last year, the bank's capitalization was 90 billion rubles. Since then, the bank's capitalization has grown. It was 207.6 billion on the MICEX stock exchange Wednesday.

The law on capitalization allows property to be transferred to the charter capital of state-controlled companies, so the city administration can avoid an auction without formally breaking the law, said Yuly Tai, managing partner of the Bartolius law firm.

"But if Tsentralnaya Toplivaya Kompania sells [the shares] after that, the deal could be classified as fraudulent," Tai added.

Bank of Moscow president Andrei Borodin lobbied for an open sale of the stake and discussed the matter with Sobyanin.

But Borodin may leave the bank in a few months. The Bank of Moscow board of directors may place his dismissal on the agenda for the shareholders meeting that will take place after the one scheduled for Feb. 21.

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