

Moscow Strives to Be Finance Center

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LONDON — Moscow's aspiration to become a center for international finance will be good for the country, industry leaders agreed last week at the close of a conference in London.

"We are looking forward to the good times," said Danny Corrigan, a former director of ING Bank in Moscow.

Opinion is divided over how far Moscow has come since President Dmitry Medvedev first proposed the idea in 2008, on the eve of the financial crisis.

The London-based Z/Yen think tank, which produces biannual rankings of global financial centers based on their competitiveness, ranked Moscow 68 out of 75 in September. This was no improvement over its position in March.

The rankings are based on three different criteria: connectivity — how well a center is known around the world; diversity — the breadth and richness of the business environment; and specialty — the depth of industry sectors.

Moscow is behind such cities as Warsaw, Milan, Stockholm and Glasgow, and St. Petersburg is down another three notches from Moscow, occupying 71st place.

Z/Yen's associate director, Mark Yeandle, says the situation is more positive than the figures suggest. He said that, in the case of Moscow, "perceptions have not caught up with reality."

Participants in the conference highlighted several recent steps made toward fulfilling the aspiration to become a global financial seat. Last year saw the first foreign issue of ruble-dominated bonds, by Belarus, and the beginning of trading of the yuan against the ruble on MICEX.

On Feb. 2, it was announced that an agreement had been reached to merge the MICEX and the dollar-dominated RTS exchanges, the country's leading bourses.

High-level support for the project has been consistently strong. Veteran politician Alexander Voloshin, who was a member of Boris Yeltsin's inner circle and is a former chairman of mining company Norilsk Nickel, was appointed in May by President Dmitry Medvedev to head the drive to create an international financial center.

Voloshin promptly began to assemble a team of experts to help carry out the mission, and Medvedev issued an official decree at the end of last year formalizing the consultative group.

The ambition formed a central part of Medvedev's message to the global business community when he attended the Davos Economic Forum last month. "The International Finance Center [in Moscow] must become not only the center of Russia's finance system, but also an accelerator of finance markets across the post-Soviet space," Medvedev said. "This project is Russia's great breakthrough into the world's economy."

The appointment of Moscow Mayor Sergei Sobyanin, with more direct and cordial links to the federal government than his predecessor, Yury Luzhkov, has also facilitated increased emphasis on the project. Sobyanin has been vociferous in his support.

Vneshekonombank first deputy chairman Nikolai Kosov said in London, however, that concrete steps have to accompany the political rhetoric. "The main thing is implementation and real practices," he said.

In addition to issues about progress on specific aspects of the program, some observers have more fundamental criticisms of the project as a whole.

Andrei Nikichenko, president of NGO pension fund Stalfond, said that if Moscow wants to be successful in its bid, it must create a financial niche in which it excels. "So far I do not see a correct answer," he said.

Hans-Joerg Rudloff, a board member of Rosneft and chairman of Barclays Capital, the investment banking arm of Barclays, said last week at the conference that Russian companies must list their shares and trade in rubles in Moscow.

Investors will come to Moscow if they want to invest in Russian companies, Rudloff said. "Because of its ambitions to be one of the great powers of the world, [Russia] cannot rely

on substitute markets," he said.

The head of Citi Russia, Zdenek Turek, is on the committee set up by the Kremlin last year to address administrative barriers to making Moscow a financial center.

Turek told The Moscow Times that an overhaul of the country's financial infrastructure would be necessary to turn international attention to the ruble and to Moscow. At the moment, he said, "it's much less efficient to operate your investments in Russia than in any other market with established stock exchange infrastructure."

Some have also raised the issues of political stability, corruption and judicial independence as factors on which Moscow's plans will stand or fall.

Turek said that, while visa changes in 2010 have helped, "full transparency and the full rule of law" are necessary to attract more investment.

Political stability is also fundamental.

Although "Moscow has everything in place to become an international financial center," Rudloff said, the next 12 to 15 months will be decisive.

Already the 2012 presidential election, he said, "is starting to cast a shadow over the investment climate."

Staff writers Rachel Nielsen and Khristina Narizhnaya contributed to this report.

Editor's note: An earlier version of this article incorrectly stated that Alexander Voloshin is the current chairman of Norilsk Nickel. Voloshin actually is a former chairman.

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