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Bourses to Merge Soon and Float Before 2014

By Howard Amos

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The MICEX and RTS stock exchanges are likely to finalize their $4.8 billion merger in the coming days with the goal of floating the joint company in an IPO before 2014.

The move is a boost to Moscow's ambition to become an international financial center and reduce capital outflows — estimated at about $60 billion in the last two quarters.

The president of MICEX, Ruben Aganbegyan, told the Renaissance Capital investor conference Tuesday that the rise of emerging market financial centers was a sign of the decline of the West.

In February, the two bourses signed a non-binding agreement to merge, but the expected finalization date passed in April. Aganbegyan, who previously worked as an investment banker, refused to comment on the deal with RTS on Tuesday, but a source close to the situation confirmed to The Moscow Times that an announcement was likely "within days."

Dow Jones reported Monday that an RTS shareholder and a managing partner at Da Vinci Capital, Oleg Jelezko, said the combined value of the merged bourses would be $4.8 billion — $200 million more than the valuation made public in February, which placed a price tag of $3.45 billion on MICEX and $1.15 billion on RTS.

The source also said an initial public offering in 2013 would be the ultimate goal of such a merger.

RTS —whose stakeholders include Renaissance Capital, Troika Dialog and Alfa Bank — is denominated in dollars and remains the preferred domestic bourse for derivatives trading, while MICEX, dominated in rubles, is known for equity and currency trading.

Analysts and observers have identified the combination of the two bourses as a crucial step on the long road toward making Moscow an international financial center.

Though commentators express caution about aspirations that are too ambitious, Aganbegyan was bullish on the role of the city's exchanges in such a future.

Talking to a room of investors, he said geographical position was not important in determining the success or failure of an exchange. Though there have been concerns about Moscow's quality of life and a poor investment climate, Aganbegyan said the large volume of trade enjoyed by centers like London, New York and Hong Kong was simply the result of a developed and well-understood regulatory environment.

But he added that in his conversations with investors the most important development they demanded was the creation of a central securities depository. Legislation on this issue has been under discussion for almost a decade.

International financiers warn that it's a misconception that Moscow can quickly become a financial center to rival global leaders.

"If you believe that tomorrow you're going to be in competition with London or New York, you are going in the wrong direction," Lars Thunell, head of the International Finance Corporation, told the Moscow Times.

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