

# Medvedev Turns Forum Words Into Deeds

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July 03, 2011

**The  Moscow Times**

In a flurry of activity aimed at attracting foreign investors, President Dmitry Medvedev signed a decree Friday that will lift restrictions on domestic companies wanting to list securities abroad and ordered the creation of a central securities depositary by Sept. 1.

Medvedev also appointed Prime Minister Vladimir Putin to oversee privatization of state-owned companies through 2015 and set a deadline for City Hall and the Moscow region government to draft a plan to expand the boundaries of Moscow.

The orders followed Medvedev's speech during the St. Petersburg International Economic Forum last month, which revealed details of the Kremlin's plans for the country's modernization.

Russian companies making initial public offerings on foreign stock exchanges will be able to list as much of their equity as they want — compared with the current limit of 5 percent to 25

percent of their capitalization, according to a statement on the Kremlin web site.

The measure is expected to increase the attractiveness of domestic companies, some of which have successfully listed abroad.

Internet company Mail.ru raised \$1 billion in an IPO in London late last year followed by search engine Yandex, which raised a record \$1.4 billion in its IPO on NASDAQ in May.

In another sign of the trend, Sberbank announced Friday that its American Depositary Receipts had been admitted for trading on the London Stock Exchange.

However, eliminating the restriction on the amount of shares listed abroad is unlikely to affect local companies substantially because the rule in fact existed only on paper, analysts said.

Domestic companies attempting to attract foreign investors were listing shares through offshore companies, which allowed them to get around the restrictions, Finam analyst Alexander Osin said.

In another measure to attract foreign investors Medvedev also ordered the creation of a central securities depository, which has so far failed to gain final approval because of disagreements between the relevant government agencies. He also decreed that foreign companies can open depository accounts locally.

The central depository, which will facilitate equity transactions, is supposed to replace the two depositories serving the clients of the MICEX Stock Exchange and the RTS — which finalized the details of their merger last week.

MICEX clients are currently served by the National Settlement Depository, while the Depository-Clearing Company serves clients of the RTS.

A law on the central depository, which the State Duma passed in its first reading in 2007, stalled after the Finance Ministry, the Economic Development Ministry and the Federal Service for Financial Markets engaged in a struggle over which institution would function as the central depository.

Creating a central depository will ease the work of the stock market because all clients will be served in one place, said Pavel Dorodnikov, head of the trading department at Rye, Man & Gor Securities.

It currently takes one to seven days to transfer securities from one depository to the other if the companies closing the deal have their shares traded on different stock exchanges, Dorodnikov said.

The measure will also eliminate costs related to transferring the securities, he said by telephone.

According to the Kremlin web site, Prime Minister Vladimir Putin is now responsible for bringing the creation of the central depository to fruition, and he is named to oversee

the privatization process for state-owned companies over the next four years.

Medvedev ordered the government to draft a plan by Aug. 1 on reducing its stakes in large companies to less than 50 percent, as well as entirely withdrawing from some companies by 2015.

The government, however, will continue holding stakes in infrastructure monopolies and companies ensuring state security.

Medvedev said at the St. Petersburg International Economic Forum last month that the initial privatization plans were "too modest."

His economic aide Arkady Dvorkovich later explained that privatization revenues from 2012 to 2014 should amount to at least 450 billion rubles (\$16 billion) per annum instead of the previous target of 300 billion rubles.

Among the companies that are likely to be added to the privatization list is state-run diamond miner Alrosa, which could see the government's stake cut to 50 percent in the next three years, Deputy Finance Minister Alexei Savatyugin said Friday.

The Finance Ministry proposed that the controlling stake in the company be jointly owned by the federal government, the government of the Sakha republic and the diamond-mining regional districts, Savatyugin said.

The Federal Property Management Agency owns 51 percent in the company. The Sakha republic government holds 32 percent, and diamond-mining regional districts own 8 percent. The remaining stake belongs to smaller investors.

But the Finance Ministry's proposal could face resistance from the Sakha government.

Sakha President Yegor Borisov said last week that the regional government "would insist on keeping state control over the company."

Borisov, who chaired Alrosa's annual shareholders meeting, proposed an alternative scenario in which the Federal Property Management Agency and the Sakha government each hold 25 percent plus one share.

This will allow the state to own more than 50 percent of the company and retain control, Borisov said, according to a statement posted on his web site.

Medvedev also ordered Moscow Mayor Sergei Sobyanin and Moscow region Governor Boris Gromov to combine their efforts and draft a plan by July 10 on expanding Moscow's boundaries in order to locate government agencies and buildings that would be part of Moscow's ambition to be an international financial center outside the Moscow Ring Road.

The move was announced by Medvedev during the St. Petersburg International Economic Forum and got support from Sobyanin and Sberbank head German Gref.

After 10 years of debate, City Hall and the Moscow region government signed an agreement Wednesday that defined the distinct boundaries between Moscow and the region.

The document, however, has nothing to do with the new Kremlin plan to relocate government and financial institutions, Sobyenin said Thursday, according to the City Hall web site.

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