

# Merged Bourse Will Be \$13.8Bln Giant

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*Correction: An earlier version of this article incorrectly attributed the statement on the combined MICEX-RST stock exchange's expected market capitalization of \$13.8 billion by 2015 to MICEX vice president Sergei Sinkevich. In fact, this information was contained in a presentation by MICEX.*

The combined MICEX-RTS stock exchange is expected to grow three times to reach \$13.8 billion by 2015, making it the world's third-largest bourse by market capitalization, MICEX said in a presentation Wednesday.

According to the presentation, the merger, which is expected to be complete by early 2012, should result in more foreign and domestic investors, and a united company showing strong financial performance after it goes public in 2013.

The net profit of the united bourse could reach \$550 million in 2015, compared with the \$192 million combined bottom line of MICEX and RTS last year, while revenue is expected to be \$948 million, up from \$454 million in 2010, the presentation said.

Apart from luring foreign investors, the united stock exchange will seek to attract domestic companies for initial public offerings, as many big local firms like Internet company Mail.ru and search engine Yandex currently prefer to list abroad.

"It's a challenging task," said MICEX vice president Sergei Sinkevich.

According to the presentation, increasing trade volumes by offering new services and products, particularly in derivatives and commodity trading, as well as improving profitability, could triple the merged company's current capitalization of \$4.6 billion, making it the No. 3 bourse after the Hong Kong Stock Exchange and the United States' CME Group, which focuses on trading derivatives.

MICEX and RTS combined are currently in ninth place by their joint market capitalization, the presentation said.

The merged stock exchange is likely to see profitability grow due to synergy from cutting personnel costs and capital expenditures, but the stated figures are "too optimistic," said Arseny Dabbakh, an analyst with Rye, Man & Gor Securities.

In order to hit such numbers, "titanic efforts are needed not only on the side of both bourses but on the side of the government, which should add liquidity to the stock market," he said by telephone.

Investors prefer foreign stock exchanges, which have bigger liquidity, Dabbakh said, adding that the local stock market is unlikely to see many foreign investors come in the next couple of years due to the current uncertainty in global markets.

The merged bourse should be "a place that is comprehensive and understandable for foreign investors," Sinkevich said, adding that the stock exchange's strategy to attract them will involve, for example, providing English translations of IPO prospectuses.

But an essential measure to reach this goal is getting a law passed on the creation of a central securities depository to replace the two depositories serving the clients of the existing bourses, he said.

But it is unclear when the legislation could be approved, since government agencies have been arguing over the details for almost a decade.

Prime Minister Vladimir Putin's spokesman Dmitry Peskov told The Moscow Times on Wednesday that work to resolve the disagreements is continuing.

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