

Finance Ministry Will Offer Pension Funds to Help Bank Liquidity

By [The Moscow Times](#)

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The Finance Ministry will try to help banks struggling with a liquidity crunch by allowing them access to loans from the state pension fund, the ministry said on Friday.

A draft document on pension fund regulation, published on the Finance Ministry's web site, showed that banks will have access to up to 90 billion rubles (\$2.88 billion) every three months from social security funds, part of the overall pension fund.

"It will be short-term deposits. The maximum duration will likely not exceed six months," said Andrei Vorontsov, deputy director of the financial policy department at the Finance Ministry.

The National Welfare Fund, intended to support the pension system and not exceed 10 percent of annual gross domestic product, stood at 2.83 trillion rubles as of Oct. 1.

The amendment to legislation comes amid liquidity strains in the money market, forcing banks to sell foreign currencies for rubles or use the Central Bank repo facility to prop up accounts.

Pension fund loans will be accessible for banks with capital not below 5 billion rubles and credit ratings not lower than "BB-" on Fitch's and S&P's scales, or not worse than "Ba3" on Moody's scale.

The new refinancing tool, however, will hardly be sufficient to meet all banks' needs in case of urgency.

"Obviously, this amount of money supply won't be able to play a crucial role for liquidity levels, but it will be an important alternative source of funding," said Yekaterina Sidorova, an analyst with Troika Dialog.

In the week to Oct. 14, the overall value of daily repo auctions with the Central Bank totaled nearly 1.56 trillion rubles, pointing to the highest demand for liquidity since the crisis of 2008-09.

The Finance Ministry also injects money into the system by carrying out deposit auctions, where it places temporarily free budget funds on banks' accounts.

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