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New York Exchange Seeks More Customers

By Anatoly Medetsky

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A growing number of Russian companies are looking at New York rather than London to float shares, the head of international listings at New York Stock Exchange Euronext said Thursday.

Close to a dozen local firms — in such sectors as high-tech, natural resources and consumer goods — are evaluating the U.S. market as an alternative to the London route, said the executive, Diederik Zandstra.

The upturn in interest comes after a slew of Russian companies pulled their planned share offerings in London earlier this year, or came to the market at the bottom of their desired price range. Another potential disincentive for listing in Europe is the debt crisis in countries like Greece, which — coupled with the risk of a recession — fogs the prospects for capital markets.

"There's an increase in determination" to woo Russian issuers, Zandstra said. "We are here on the ground every few weeks to talk to companies."

As a gateway to finance, London has trumped NYSE in the eyes of Russians after U.S. authorities sharply raised accountability standards for public companies by enacting the Sarbanes-Oxley Act in 2002. Just one Russian company, Mechel, placed its shares in New York following the new standards.

London is home to 49 Russian firms, whereas NYSE hosts three.

But tighter rules potentially generate greater credibility for investors — and more cash for companies that take the extra effort and cost of complying with the U.S. regulations, Zandstra said. The Russians have now come to understand the advantage, he said.

Yulia Dementyeva, an associate at law firm Latham & Watkins, agreed that share placements in New York would likely raise more capital for issuers. She doubted, however, that many Russian companies considering an initial public offering, or IPO, would take the trouble to meet the higher standards.

"It's difficult for them to prepare even for London," she said.

Russia stands to provide a fair share of global activity on equity markets in the coming years, partly because of the $10 billion of privatization planned for next year.

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