

Eurasia Seeks Its Place in London on FTSE-100

By [The Moscow Times](#)

November 29, 2011

The  Moscow Times

Eurasia Drilling is aiming for a premium listing on the London Stock Exchange, becoming the latest in a line of Russian firms lured by the prestige, higher visibility and ability to secure acquisition currency that London offers.

A wave of Russian companies is seeking premium listings, with some large enough to seek inclusion in the FTSE-100 Index.

Mining companies Polymetal and Evraz recently started trading as premium companies. Russian potash miner Uralkali has also said it is considering a full-stock market listing in London next year.

Eurasia is Russia's largest drilling company and services the country's multibillion-dollar oil and gas industry. It currently trades in London in the form of global depositary receipts.

"It's a goal for us but not a requirement," Kim Kruschwitz, vice president of Eurasia Drilling, said at a conference organized by the London Stock Exchange, when asked whether Eurasia was considering a premium listing.

"We think it would be a good way for us to go because it will allow us to become [part of] an index," Kruschwitz said. "We think it's an excellent source of liquidity."

Asked whether Eurasia would consider trying to join the FTSE-100 Index, Kruschwitz said: "Certainly, the 250."

Russian companies moving to London are typically seeking a higher international profile, greater liquidity, a broader shareholder base and better long-term access to capital markets.

"It has been challenging for Russian companies to raise capital when they want to and on the terms they wish to, without accessing international capital markets," said Michael Cole-Fontayn, CEO of depositary receipts at BNY Mellon.

While a number of Russian companies have their shares traded on London's main market, the vast majority are in the form of global depositary receipts, effectively a certificate of foreign ownership of a Russian domestic share.

Moving to a premium listing requires a significant free float and more exacting standards of corporate governance, but brings with it access to additional tracker funds which follow the index.

"Lack of [domestic] investor demand is a problem for us," Dmitry Pankin, head of the Federal Financial Markets Service told the same conference in London.

"Still, the role of our pension funds and insurance companies are not comparable with the situation in the developed world," Pankin said. "Also, we cannot say that retail investors are playing a huge role in our financial markets."

Pankin said Russia was also planning to dismantle a restriction placed on the proportion of shares Russian companies can place abroad, as of January 2013.

"We think that the barrier is not working properly so companies that would like to place more shares just start a legal entity outside of Russia," he said.

Russia has aims of being a global financial center and attracting investors and capital to Moscow is key to that goal.

"The real challenge for Russia is to get transactions funded, oversubscribed and successfully completed without dependence on international capital, and then we will really see the Russian market coming into its own," said Steve Kale, head of Russia and CIS equity capital markets origination at Citibank.

"If you are a company looking to do a premium listing [in London], you are turning your back on the Russian equity capital markets and portraying yourself as an international company," Kale said at the conference.

That can work, depending on the structure of a company's business, its motivations and relationships with the Russian government, he said.

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