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New York Exchange Wants Slice of Russian IPO Pie

By The Moscow Times

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The New York Stock Exchange hopes less stringent rules will help persuade several Russian companies to raise money on its markets next year, taking business from archrival London.

NYSE Euronext's head of international listings, Albert Ganyushin, said legislation that makes it easier for smaller firms to obtain a stock market quote and less onerous requirements for overseas issuers could make New York more appealing.

"I would not be surprised to see several ... potential IPOs in Moscow and New York taking place in the next 12 months," Ganyushin said in an interview.

His comments followed MegaFon's IPO in London last week, in which the telecom firm raised $1.7 billion, the largest market debut by a Russian company since aluminum producer RusAl's 2010 Hong Kong float.

Russian companies have for years preferred London over New York as the venue for their overseas listings, attracted by its close geographical location and less stringent disclosure and audit rules.

London has more than 50 Russian companies on its main market, compared with only a handful in New York.

Wireless carrier VimpelCom floated on the NYSE in 1996, followed by rival MTS in 2000. Steel and coal miner Mechel came to market in 2004. Epam Systems, a U.S.-based IT services provider with operations in Russia, listed earlier this year.

The NYSE has invited about 50 U.S. investors to an event with Russian First Deputy Prime Minister Igor Shuvalov and Russian companies and funds at its Wall Street address on Monday.

U.S. investors have lost billions of dollars on U.S.-listed Chinese companies in numerous accounting scandals, and drumming up interest in other emerging-market firms could be a tough task.

Russia's reputation as a country rife with corruption and red tape is another hurdle to be overcome.

The 2002 Sarbanes-Oxley Act, introduced after the Enron and WorldCom scandals, sought to tighten auditing but had the effect of scaring many companies away from a New York listing due to the increased burden of compliance.

The costs of preparing an IPO could reach $500,000 or more, according to a survey by accountants PwC. Russian telecom company Rostelecom in 2009 delisted from the NYSE, reportedly citing the high costs of meeting the rules.

But under the Jobs Act, signed this year, it will be easier for emerging-growth companies with less than $1 billion in revenue to raise capital because they will be exempt from an outside audit of internal controls for up to five years.

Ganyushin said the Jobs Act comes on top of other changes that help foreign private issuers.

"For the last three years, it's been much easier to list in the U.S. as a foreign company than a U.S. company. You can follow your home corporate governance practices, you don't have to have an independent board, you don't have to report in U.S. [accounting principles]," he said.

The NYSE is also an attractive venue due to higher valuations achieved for issuers and lower risks of executing IPOs, he said. Ganyushin sees the NYSE as a complementary venue to Moscow and is encouraging companies to list on both markets.

He hopes New York will attract some of the privatizations the Russian government is planning. Shipping firm Sovcomflot is one slated for 2013.

"The global shipping sector is based in New York," Ganyushin said, adding that the company would fit well there.

He declined to comment specifically on Sovcomflot's plans.

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