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Government Said to Be Eyeing Seats on Central Bank

By The Moscow Times

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The government may gain representation on the board of the Bank of Russia as part of an overhaul of the regulation of financial markets, Interfax quoted a source as saying Tuesday.

The proposal is being considered under reforms to unify financial regulation being overseen by First Deputy Prime Minister Igor Shuvalov, although "there are a lot of opponents," Interfax said, citing its source.

"Bearing in mind that government functions are being transferred to the central bank, there is an idea to introduce to the board of the central bank one or more government representatives to exercise oversight," the source added.

Any high-level government representation at the central bank is likely to raise serious concern over the institution's independence, at a time when the Kremlin is complaining that high interest rates are choking economic growth.

Central bank Chairman Sergei Ignatyev, who favors a tight rein on monetary policy, retires in June, and speculation is mounting that President Vladimir Putin will nominate a successor more in tune with his desire to boost flagging economic growth.

Political influence over central banks is spreading across eastern Europe as leaders resort to pro-growth policies to shake off the effects of the 2008-09 slump.

Hungarian Prime Minister Viktor Orban has led the way by filling his country's central bank with appointees favoring his economic policies, a move critics say is undermining independence.

Shuvalov, who is pushing to house a financial megaregulator under the roof of the central bank, is one of the government leaders who have called most vocally for interest rate cuts. His spokesman had no immediate comment on the Interfax report.

The central bank's policymaking board has 11 members and is dominated by orthodox economists, including First Deputy Chairman Alexei Ulyukayev, Ignatyev's most senior deputy, and Deputy Chairman Sergei Shvetsov, responsible for market operations.

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