

Finance Ministry Plans to Boost Ruble Liquidity

By [The Moscow Times](#)

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The Finance Ministry plans to start converting windfall oil revenues on the open market in the second half of this year, it said on Wednesday, a move expected to boost ruble liquidity.

Bankers say the Central Bank's use of off-market transactions to convert ruble oil and gas proceeds into foreign currencies tends to reduce the amount of rubles circulating in the banking sector, pushing up interest rates.

The new mechanism, which was initiated by the Central Bank, is expected to take effect no later than 2015 when the regulator is due to complete its policy transition to inflation targeting.

Wednesday's announcement coincided with growing concerns about Russia's economy, with Central Bank Chairman Sergei Ignatyev saying a slowdown in the first two months of this year has been an "unpleasant surprise."

Finance Minister Anton Siluanov told a banking conference the switch to open market conversions of windfall revenues would free up liquidity.

"At the moment, it turns out that we tighten liquidity. In order to meet tax payments, exporters sell currency to pay us in roubles, while we transfer the roubles to the central bank into the Reserve Fund ... Now we have a task to create money supply," Siluanov said at the conference on Wednesday.

The Finance Ministry currently transfers oil and gas proceeds that come in above plan to the Reserve Fund once a year in February.

The Reserve Fund and the other holding for Russia's windfall oil revenues, the National Welfare Fund, total 8.5 percent of gross domestic product. They are kept 45 percent in euros, 45 percent in dollars and 10 percent in pounds sterling.

"We are now preparing proposals on the placement of oil and gas revenues. ... We are ready to transfer funds to the market, convert them into foreign exchange and send them to the Central Bank, ... starting from the second half of the year," Siluanov said.

Alexei Pogorelov, an economist at Credit Suisse, said the ruble should weaken before the introduction of the mechanism.

"Under the new framework, the ruble should be following more closely the developments in the domestic market and portfolio capital inflows," Pogorelov said.

"It will be positive for the interest rates market as it will cap the growing deficit of ruble liquidity in the banking sector."

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