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Rosneft Mulls Purchase of Morgan Stanley's Oil Trading Arm

By The Moscow Times

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State-run oil company Rosneft is in talks with Morgan Stanley on buying into the Wall Street bank's oil trading business, an industry publication and two industry sources said Tuesday.

Morgan Stanley has been trying to sell or spin off its physical commodity business for more than a year as it faces increased regulatory pressure and higher capital requirements.

Rosneft is Russia's top oil producer and is headed by Igor Sechin, a powerful ally of President Vladimir Putin. The state owns a 69.5 percent stake, according to its website.

"There have been some talks between Morgan and Rosneft. There is no deal," said a source familiar with the situation. A second senior trading source said people close to the situation had briefed him that such talks had taken place.

Industry publication SparkSpread, which tracks people moves in commodities trading, cited

an unidentified source as saying the talks were at an advanced stage but could still fall apart.

A Morgan Stanley spokesman in New York and a Rosneft spokesman in Moscow declined to comment.

Market participants have listed Qatar and Chinese investors among the potential buyers for the assets, which include major storage tanks and pipelines in the U.S.

Morgan Stanley is the biggest physical oil trader on Wall Street, and its commodity arm owns TransMontaigne Inc, an oil storage and terminal firm with assets in the U.S. and Mexico.

The Federal Reserve has been reviewing Wall Street's role in physical commodity trading and is considering placing greater restrictions on the ownership and operation of trading assets.

The review comes as politicians have increasingly accused banks of pursuing activities that add to market volatility. U.S. regulators may also be concerned that a major problem such as an oil spill could expose banks seen as too big to fail to unnecessary risks.

Rosneft became the world's biggest listed oil producer in March after the $55 billion acquisition of British-Russian oil firm TNK-BP.

Its oil output accounts for more than 40 percent of the total in Russia, the global leader in crude production.

Rosneft has amassed assets abroad in the past few years, including refineries in Germany and Italy, but has bought no significant assets in the U.S.

Rosneft has an oil trading division in Geneva, which helps supply its refining assets in Europe.

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