

Morgan Stanley Sells Most of Its Oil Trading Business to Rosneft

By [The Moscow Times](#)

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LONDON — Morgan Stanley has sold the majority of its global physical oil trading operations to Russian state-run oil major Rosneft, becoming the latest Wall Street firm to dispose of a major part of its commodity business.

The deal represents a bold move into the U.S. market by Russia's top oil producer, which is headed by Igor Sechin, a powerful ally of President Vladimir Putin. The Russian state owns almost 70 percent of Rosneft.

The deal includes more than 100 traders and shipping schedulers in London, New York and Singapore, more than \$1 billion worth of oil, and the bank's 49 percent stake in tanker company Heidmar.

The terms of the deal were not disclosed. Morgan Stanley said it was not expected to have a significant impact on its financial results.

The purchase will not include Morgan Stanley's oil storage, pipeline and terminal firm, TransMontaigne, which may help avoid significant scrutiny of the deal in Washington.

The U.S. has often been hostile to state-owned companies from countries such as Russia and China buying up U.S. energy and infrastructure assets.

News of the deal raised alarms in Washington. Senator Edward Markey, a Democrat who is a member of the U.S. Senate Committee on Foreign Relations, called on the U.S. government to "closely review" the deal to ensure that a Russian state-owned oil company "could not manipulate our markets and harm the U.S. and its citizens."

Morgan Stanley plans to submit the sale for review by the U.S. Committee on Foreign Investment, or CFIUS, an inter-agency executive branch panel that examines foreign investment for potential threats to national security, a source familiar with the matter said.

The sale is also subject to regulatory approvals in the U.S., the European Union and certain other jurisdictions, the bank said in a statement.

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. The bank said it would continue to look at "strategic options" for TransMontaigne.

"I think it is a confirmation of a trend that Wall Street is exiting the business," said Craig Pirrong, a finance professor at the University of Houston and an expert on commodity markets.

"Rosneft has indicated it was going to try to become more like an international player. This is a way for them to build out and become more like other oil companies."

In buying the operations, the Russian oil producer will get its first foothold in the U.S. and expand its modest trading business.

About 100 front-office Morgan Stanley personnel will transfer to Rosneft under the deal, including oil traders and shipping schedulers comprising about a third of the bank's total commodity team.

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