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FTSE to Keep Sberbank, VTB in Indexes Despite Sanctions

By The Moscow Times

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Sberbank and VTB's new headquarters being built in Moscow-City.

Stock index compiler FTSE has decided to keep Russian banks Sberbank and VTB in its indexes for now, but would exclude them if they issued new shares.

The decision is likely to reassure investors in Russia's two largest banks — both of which have had sanctions imposed on them by the West over Russia's role in the Ukraine crisis — as neither is expected to issue new equity in the near future.

Concerns that major index compilers may exclude Russian companies that are subject to Western sanctions from key benchmarks have been a factor weighing on Russia's stock market, as these benchmarks are used by investors to determine their portfolio weightings.

FTSE made its announcement late Friday, a week after another major index compiler MSCI announced that it was keeping Sberbank and VTB in its MSCI Russia index, leading to a strong

rally in Russian shares at the beginning of last week.

FTSE said in a statement that it had been consulting investors over how to treat the two banks in the event that they issued new equity. It warned that it was unclear whether secondary trading of newly issued shares would contravene Western sanctions.

"In the light of these circumstances, the consensus amongst index users is that they would not wish to see sanctioned companies deleted prematurely from FTSE indices but would want the sanctioned stock to be deleted in advance of the new shares becoming available for trading," FTSE said.

However, FTSE said that new share issues by the banks were "presumed unlikely" as both have publicly stated they have no plans to issue new equity while sanctions persist.

If either bank did announce a new share issue, FTSE said it would not immediately delete the companies from its indexes but would do so within 40 Russian trading days, unless assured by U.S. and EU authorities that sanctions would be lifted imminently or that secondary market trading following a new share issue would not contravene sanctions.

Separately, FTSE announced on Thursday that it was launching four new indexes that exclude Russia.

See also:

FTSE Creates 4 Russia-Free Indexes Following Sanctions

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