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Russian Regulator Seeks Leverage Over Moody's, Fitch and S&P

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Fitch, Moody's and S&P are governed by U.S. and European financial regulators, but not by Russia's Central Bank.

International ratings agencies may soon have to create Russian subsidiaries governed by the Central Bank to continue operating in the country, daily newspaper Kommersant reported Tuesday.

Since the first sanctions on Russia over the Ukrainian crisis, the Russian government has been fighting to place Western-based international financial services working in the country under its regulatory thumb. U.S. payment systems Visa and MasterCard were the first victims: After cutting services to two blacklisted banks in March, they are now being forced to localize their services inside Russia.

Now agencies such as Fitch, Moody's and S&P, which have also suspended services to several

blacklisted Russian companies, appear to be targeted. Last week, the Central Bank released draft legislation that would, for the first time, require foreign ratings agencies to receive accreditation in Russia and register their ratings methods with the regulator, Kommersant said, citing a copy of the bill.

"This requirement follows from the necessity of carrying out regulatory supervision of the ratings companies, regardless of the origin of their capital," Vladimir Chistyukhin, first deputy head of the Central Bank's department on financial markets, told the paper.

Currently, the "big three" ratings agencies — all of which are based in the U.S. — have only representative offices and affiliates in Russia. These are governed by U.S. and European financial regulators, but not by Russia's Central Bank.

The three agencies declined to comment on the draft bill but confirmed having received it. According to the letter, they must submit their comments and criticisms to the Central Bank by the end of this week.

The law is expected to go into force on Jan. 1, 2015.

It would in no way impact ratings agencies registered abroad, which Russian companies could still turn to for ratings services as they do now, Chistyukhin said. The legislation could, however, give rise to disparities between the ratings of Russian subsidiaries and their international parent companies, putting the recognition of the subsidiaries' ratings abroad in doubt, Kommersant said.

See also:

[Visa, MasterCard Must Find Russian Partner to Avoid Paying Security Deposit]

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