The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Finance Minister Pledges to Uncork Reserves to Help Sanctions-Hit Russian Banks

By The Moscow Times

September 28, 2014

Russia's Finance Ministry may support leading banks, including those under Western sanctions, with some of the profits of the Central Bank next year, as well as by other means, Finance Minister Anton Siluanov said.

Sanctions imposed by the United States and the European Union over Moscow's role in the Ukraine crisis have cut off Russia's largest banks such as Sberbank, VTB, VEB, Gazprombank and Rosselkhozbank from medium- and long-term Western financing.

The state has allowed some of the banks to convert subordinated loans issued in 2008-09 into equity to boost their capital, strengthening their ability to withstand growing loan-loss provisions and to issue new loans.

"The Central Bank will get higher profit this year, and accordingly more will be transferred to us [into the budget]," Siluanov told the Reuters Russia Investment Summit.

"And we will be ready to send the amount above planned levels to support key banks, including those hit by sanctions."

Siluanov did not give a figure, but Economic Development Minister Alexei Ulyukayev said last week the Central Bank may get about 300 billion rubles ($8 billion) more profit than planned.

The government has already said it will spend 239 billion rubles from the National Welfare Fund, which collects oil revenues, to buy preferred shares from VTB and Rosselkhozbank to boost their capital.

VEB, the state development bank, had hoped to have its capital boosted by 100 billion rubles each year until 2020, but its chairman Vladimir Dmitriyev said Thursday that the bank would get only 30 billion next year.

Siluanov said that amount would come from the budget special reserves pool, set up for next year.

He added that the Finance Ministry may start investing its fiscal reserves, held in the Reserve Fund and the National Welfare Fund, in assets issued by the BRICS countries, a group of emerging economies comprising Brazil, India, China and South Africa, as well as Russia.

Russia will most likely invest in Brazilian assets and Eurobonds issued under English law to "diversify risks," he said. "Of course, these are more high-margin but also riskier tools, so it could be done to diversify risk. I don't think there would be large volumes. ... There is no decision yet," he said.

As of Sept. 1, the Reserve Fund stood at $91.7 billion and the National Welfare Fund at $85.3 billion.

The Reserve Fund, according to its current requirements, can be invested in the U.S. dollar, euro and the pound sterling as well as debt securities of a small group of Western countries and a few international institutions.

The National Welfare Fund has a riskier investment strategy, which includes spending parts of it on domestic infrastructure projects and supporting companies hit by sanctions.

Siluanov added that gas producer Novatek, which is subject to the sanctions, had asked for help from the National Welfare Fund of up to 150 billion rubles.

"But we think it [the support] could be less," Siluanov said. Under the proposed scheme, sanctions-hit firms would issue bonds to be bought by the fund.

He added he had no information on whether the state oil company Rosneft, also under sanctions, had officially asked for help from the National Welfare Fund.

Original url:
https://www.themoscowtimes.com/2014/09/28/finance-minister-pledges-to-uncork-reserves-to-help-sanctions-hit-russian-banks-a39844