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The Central Bank of Russia Blacklists 120 Otkritie Bankers

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The Central Bank of Russia (CBR) has blacklisted more than 120 employees of ailing lender Financial Corporation Otkritie, preventing them from working in the banking industry for five years, Kommersant reported on Oct.18, citing its sources in the industry.

According to the report, the list will include members of the bank's supervisory board and management board, chief accountant and their deputy and heads and chief accountants of the lender's subsidiaries.

Some have already been notified of the termination of their employment, while others are likely to stay on job until the clean-up procedure of Otkritie is over, Kommersant reported.

The CBR has run the blacklist for 10 years, putting on it senior bankers from bankrupt lenders. In addition to a five-year ban on working in the industry, blacklisted bankers are not allowed to hold shares in banks that exceed 10 percent.

As of July 26, the most recent available data, the blacklist featured 6,675 people.

Otkritie went bust in August, and the CBR announced it will be bailing out the lender through its Banking Sector Consolidation Fund (BSCF).

The CBR also provided an unspecified bailout loan to Otkritie. Later, Vedomosti reported that the size of the loan was 380 billion rubles.

In early September, the CBR said that that between 250 billion rubles and 400 billion rubles could be needed to clean up Otkritie.

Related article: Otkritie, A Bank Too Big to Fail (Op-ed)

The collapse of Otkritie is third most expensive collapse of a Russian bank in modern history, after state-owned development bank Vnescheconombank (VEB) needed a $16 billion bailout in 2016, and the Bank of Moscow that had a $9 billion hole in its balance sheet and was taken over by the state-owned VTB group in 2011.

In fourth place was the collapse of Vneshprombank, which folded late in 2015, which had a 215.9 billion rubles ($3.6 billion at average 2015 exchange rates) hole in its balance sheet.

The cost of bailing out failing banks this summer saw the sector's profits plunge by 332 billion rubles ($5.6 billion), the first fall in the sector's profits for years.

Meanwhile, to be eligible for funding from the BSCF, Otkritie's capital will have to be increased to one ruble, which the CBR will most likely do.

Earlier in October, the CBR and the temporary administration of Otkritie called on customers to reopen their deposit accounts at the bank which some industry players believed was unfair competition.

Otkritie, alongside Binbank (B&N Bank), which the CBR is also cleaning up, belong to the so-called Garden Ring banks, the leading commercial banks that have been included on the CBR's "strategically important banks" list.

They have all come under increased pressure since the spring as the CBR tightened its supervision of the sector.

Problems first surfaced in June when Russia's new domestic ratings agency Analytical Credit Rating Agency (ACRA) downgraded Otkritie to BBB, which precludes it from holding state money like pension funds.

Meanwhile, bond holders of Otkritie are also apparently unhappy with the CBR and are preparing to sue the regulator following its announcement in early October that all outstanding subordinated debts of lenders it is rescuing are to be written off.

Holders of Otkritie's $500 million bonds expiring in 2019 intend to question the writing off of the bonds, even though the regulator has not yet begun the process.

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