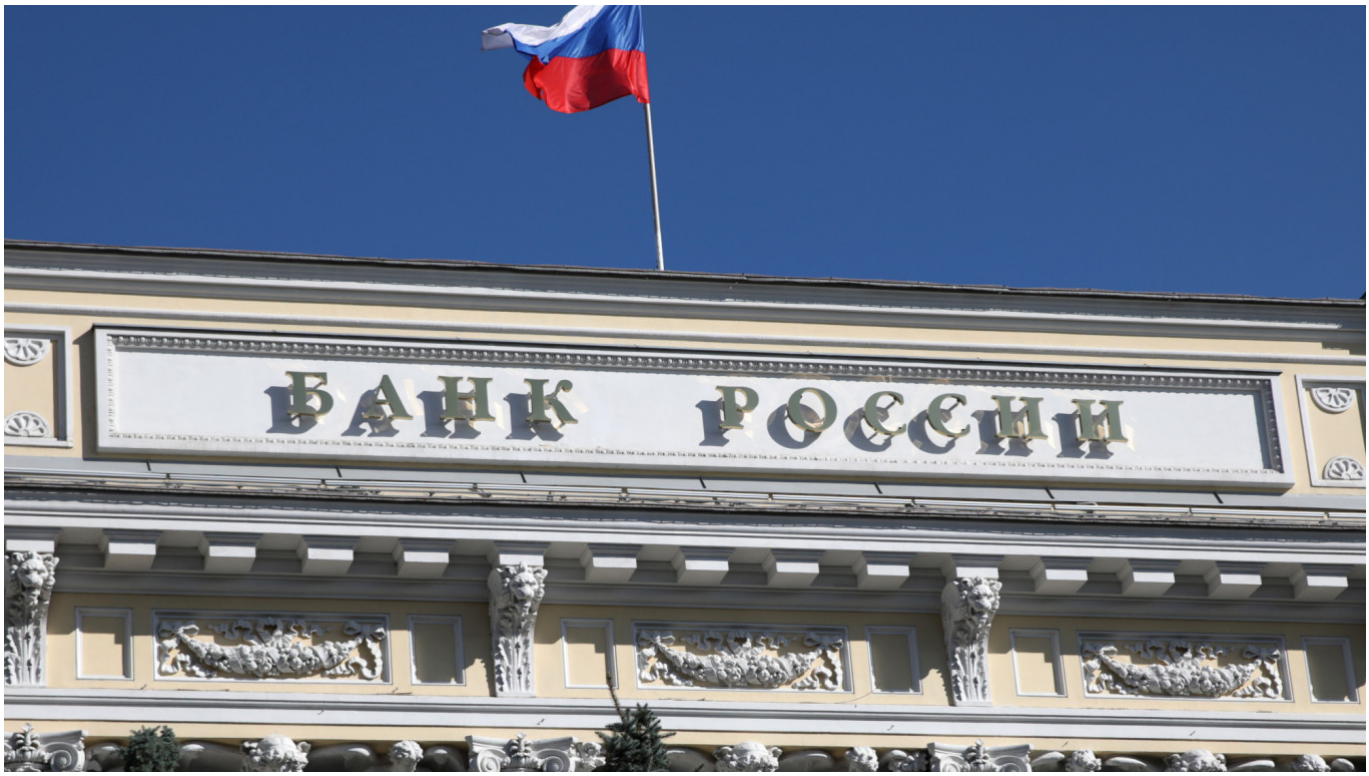
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Russia's Top Borrowers Join Calls to Let Banks Use Domestic Ratings

There is a movement to allow Russian agencies to set banks' capital buffers, which the central bank is resisting.

By Reuters

August 09, 2019



Russia's Central Bank wants to use its own in-house assessments. **TASS**

Russia's top gas producer Gazprom and a raft of other major firms have added to calls for the banking sector to use domestic ratings in implementing new financial regulations, saying this would ease pressure on banks and cut lending rates.

Officials have challenged the way the central bank is instructing lenders to comply with new Basel III regulations.

The finance ministry says the capital buffers banks require under the rules should be set according to ratings by domestic agencies, while the central bank wants to use its own in-

house assessments.

"It is very hard to forecast how accessible the external market will be for Russian borrowers for political reasons, so the development of our own financial market, including rating agencies, is timely," Gazprom Deputy Chief Executive Famil Sadygov told Reuters.

"We believe that using national ratings would make it possible to significantly lower pressure on (banking) capital, having a positive impact on the cost of borrowing, both for borrowers and banks."

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Russian Finance Minister Anton Siluanov asked the central bank in July to postpone reforms requiring banks to increase capital buffers under the Basel III rules until domestic ratings can be used in that process, according to a letter seen by Reuters.

Russia started to actively develop its domestic ratings system after western sanctions were imposed in 2014. That led global rating agencies to cut Russia's sovereign rating, triggering a revision of the creditworthiness of Russian firms.

But critics say that Russia's domestic ratings lack in-depth statistics on defaults and cover a limited number of companies.

In a separate letter to President Vladimir Putin obtained by Reuters, heads of Gazprom, Tatneft, Novatek and Severgroup asked Putin to support the use of domestic ratings as "the best way to reflect the true credit risks of... borrowers".

According to the letter, a rare example of unity among Russia's top companies, using domestic ratings would allow banks to lower lending rates, strengthen financial stability, and ease the refinancing of external debt.

"Altogether, (it) will lead to an increase in the domestic economy's competitiveness, (and a) strengthening of the country's economic security," it said.

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Russia's central bank told Reuters it remained committed to its present stance. "Our approach... allows the Russian banking system to free up much more capital to lend to the economy compared to the ratings-based approach."

A high-ranked source close to the Kremlin confirmed the authenticity of the letter, redirected by Putin to the relevant ministers and officials on July 29, and said the issue is likely to be discussed at governmental level.

A second high-ranked financial official confirmed that the government plans to discuss the issue. "If no common position is agreed, then a meeting at Vladimir Vladimirovich (Putin)

level is possible," he said.

Novatek, Tatneft and Kremlin spokesman Dmitry Peskov did not respond to Reuters' request for comment.

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