

THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM – 2009

4–6 JUNE 2009, ST. PETERSBURG

INTERNATIONAL FINANCIAL CENTRES: EXPERIENCE AND PERSPECTIVES

Moderator:

Ruben Aganbegyan, CEO, Renaissance Capital Russia; Chairman, Renaissance Investment Management

Panellists:

Chris Gibson-Smith, Chairman of the Board of Directors, London Stock Exchange

John Tsang, Financial Secretary, Hong Kong

Sergei Kharlamov, Deputy Head of the Federal Financial Markets Service of the Russian Federation

Elena Bakhmutova, Chairman of the Agency of the Republic of Kazakhstan on Regulation and Surveillance of the Financial Market and Financial Organisations

Roman Gorunov, CEO, Russian Trade System OJSC

Arnaud de Bresson, Managing Director, Paris Europlace

Konstantin Korishenko, President, Moscow International Stock Exchange

Sergei Pakhomov, Chairman of the State Debt Committee of the City of Moscow

Panellists acknowledged that Russia's robust integration into the global economic environment in recent years, the rapid development of a domestic financial market and increasing investor interest in CIS countries suggest the need to establish a powerful international financial centre in the region. The issue has been a topic for discussion at the highest levels of government: indeed Russia's President Dmitry Medvedev included the goal of making Moscow an international financial centre as a key element of his presidential election programme.

In the first half of the discussion, panellists debated the necessary prerequisites for the creation of a financial centre, agreeing that this was impossible without political and economic stability in Russia. The importance of establishing a solid legal system was noted, as was the need to liberalise the currency regime, provide favourable taxation, develop the market infrastructure, address safety issues, and provide convenient transport access to, and high living standards in,

the centre. As a key prerequisite, the necessity to establish regular dialogue between regulators and market participants was pointed out.

All foreign participants in the discussion admitted that Moscow could be a very strong candidate for the role of financial centre, noting that financial centres typically complement each other, rather than competing. It was highlighted that each financial centre has been created under its own philosophy – London mainly functioning as a money redistribution centre, and Hong Kong largely attracting investment in Asia. Kazakhstan, it was pointed out, regards Almaty as a regional financial centre, with a close focus on the domestic investors. **Panellists heard that Russian regulators are currently preparing legislation to improve settlement procedures and stock-exchange infrastructure.** The country's Federal Financial Service Committee (FFSC) has drafted laws aimed at improving clearing, determining a central agent and introducing a central depository, and the FFSC is preparing a legal framework to improve the regulation of financial organisations. An institute of bondholders is to be introduced, and a clear taxation system for derivatives elaborated, and the FFSC plans to encourage individuals to participate more actively in the financial market through a more favourable taxation regime.

Participants heard the view that the global economic crisis has not made the task of establishing Moscow as an international financial centre any less realistic, although some disagreed. It was noted that the Russian settlement system proved to be reliable during the worst period of the crisis, and that the crisis itself has helped domestic regulators and investors to gain valuable experience, and determined the main directions for further improvement market infrastructure. The Moscow City Government is keen to develop Moscow as a financial centre, as 20.0% of the city's profit-tax revenues come from financial sector companies. The city government has sought to establish closer ties with the other financial centres in order to share experience, and respective agreements have been concluded with authorities in London and Frankfurt.