

Foreign Bank Dealings Face Limits

By [The Moscow Times](#)

November 24, 2011

The  **Moscow Times**

The Central Bank will limit operations between domestic lenders and foreign banks should they pose a danger to the liquidity of the country's financial system, a Central Bank official said.

"If it becomes a problem that requires action, then we'll need to think up instruments," Alexander Vinogradov, an official at the bank's regulatory and oversight department, said Thursday. "It's not having a critical effect on the entire system," he said. "But it's also adding instability to our market."

Russian units of foreign banks including UniCredit have started lending excess liquidity to their parents since the middle of the year amid the turmoil, using "Central Bank liquidity" and funds from their Russian operations, Deputy Economic Development Minister Andrei Klepach said Oct. 27.

Of the 10 Russian banks with the most foreign transactions, seven are subsidiaries of Western banks, Vinogradov said. "We're concerned about that from the liquidity standpoint," he said,

adding that the operations are "drying up" Russia's money market.

The Central Bank has been monitoring foreign lenders' subsidiaries since a credit squeeze that began in late 2008, he said. Among the biggest foreign lenders with local subsidiaries are Societe General through its Rosbank unit, UniCredit, Raiffeisen Bank International and Citigroup.

Foreign banks "facilitated" capital flight three years ago during the country's record economic slump, Prime Minister Vladimir Putin has said.

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