

Central Bank Promises Seamless Regulatory Transition

By [The Moscow Times](#)

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The Central Bank on Thursday promised a seamless transition when it takes charge of regulating financial markets next month and will submit a new strategy only in a year's time after an extensive consultation process.

Sergei Shvetsov, just named as markets watchdog and promoted to the rank of first deputy chairman, said his priority was to ensure nothing went wrong when the Bank of Russia took charge of overseeing markets on Sept. 1.

"Markets should not feel any negative impact from this reorganization," the 42-year-old technocrat told a news conference.

Shvetsov plans to launch a consultation process before submitting a three-year strategy document to parliament in autumn of 2014, indicating that there would be no sudden changes in the regulatory framework.

But he made it clear that his priorities would be to tighten oversight, broaden the country's investor base and protect the rights of minority shareholders whose interests have often been neglected or abused by dominant owners of listed companies.

"We want to create a system in which a minority investor takes on the kind of risk he wants — business risk," he said. "There is no way you can put a market valuation on the risk of fraud."

The authorities are consolidating oversight of markets and banking in a bid to restore investor confidence that has yet to recover from the 2008 crash, creating a more joined-up regulatory regime that will also span pension funds and insurance.

Stocks trade at half of their precrisis highs and at a price-to-earnings discount of around 50 percent to other large emerging markets, a "spread" that Shvetsov said he was determined to narrow.

Under the shakeup, the Federal Financial Markets Service, a stand-alone regulator set up in 2004, is being wound up. Most of its staff will stay on and do the same jobs under the auspices of the Central Bank, Shvetsov said.

"It will be the same people, with the same phone numbers, fulfilling the same tasks," said Shvetsov, who until now has been in charge of managing the Central Bank's half a trillion dollars in foreign reserves.

Defining the terms of the debate on the regime that will eventually be a one-stop shop for banking and financial oversight, the Central Bank said responsible self-regulation by market players should play an integral role.

"Having become co-authors of regulations [market players should] assume responsibility for them," said Vladimir Chistyukhin, the head of the Central Bank's financial stability department, who will become Shvetsov's most senior deputy.

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