http://www.efinancialnews.com/story/2011-07-05/rts-micex-exchange-eyes-international-alliance

Russia's new stock exchange is already eyeing alliances with top global bourses as part of an aggressive growth strategy, which forms part of wider efforts to develop Moscow as a financial centre to rival London and New York.

By Timothy Cave |5th July, 2011

The country's two largest exchanges Micex and RTS last week finalised a $5bn merger agreement. The exchanges said they expect to begin operating a single group in September and also outlined plans to launch an initial public offering in 2013 to raise funds of at least $300m.

Oleg Jelezko, the vice chairman of RTS, and managing partner at Russian private equity firm Da Vinci Capital, said the newly-formed exchange is already planning to build a strong presence in markets including the Ukraine and Kazahkstan, as well as further afield, over the next 12 months.

"We need to digest this merger first, and organise ourselves internally, but we are interested in alliances with the top five global exchange groups – detailed discussions have already taken place and a strategic alliance could be in place as quickly as this year."

Da Vinci Capital has led consortium of international investors that together represent the largest shareholding in RTS of around 20%. Jelezko said the group had played a key role in developing RTS as a commercial enterprise, and that he expected similar growth in the new group.

He said: "I don't see any reason why the merged Russian exchange can't have a market capitalisation the size of the Brazilian exchange. It's a five-year project and we want to grow the value of the market by three times to around $16bn."

Russia's government had been pressuring Micex and RTS to come to an agreement since last year in an attempt to develop Russia's financial services industry and build up Moscow as a financial centre.

Last year, the Russian government set out plans to raise up to $60bn via privatisations, with equity stakes and strategic sales on offer. The efforts are already paying off, as the Russian market has performed well in recent months, benefiting from rising commodity prices, a healthy pipeline of large listings and the vast privatisation programme.

The merger between the two exchanges will help to propel this growth further, combining the strong equities franchise of Micex, with the derivatives business of RTS. RTS was the tenth-largest derivatives exchange by the number of futures and options contracts traded last year, according to data from the Futures Industry Association.

Micex, the larger of the two exchanges, will own 75% of the combined group, while RTS shareholders hold 25%. The merger was marred by disputes over price, though Jelezko said this were soon resolved. “While the merger with Micex faced challenges at first, it soon became obvious that we were complimentary businesses and had a number of other things in common. The management of Micex shared our vision of wanting to create a national champion for Russia.”