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Recent developments in financial market regulation

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Russia is a rapidly growing economy attracting more and more investment from other countries. Due to its leading economic position and fast development of its legal framework and infrastructure for financial markets, Russia is also becoming the financial center for the Commonwealth of Independent States (CIS) and former Soviet Union. In 2006 and early 2007 Russia's financial markets and financial services industry demonstrated an upstream trend. Furthermore, analysts forecast that the number of Russian initial public offerings (IPOs), secondary offerings and debt capital markets transactions will continue to grow.

One of the latest developments in the Russian capital markets is the increasing number of banks and financial institutions going public and/or contemplating public transactions, of which the most renowned have been the IPOs of VTB and Sberbank.

The introduction of a number of new financial instruments and techniques – and improvement to the regulation of existing legal mechanisms – is both a prerequisite and a consequence of this rapid development. This introduction describes the most important and promising of them.

Russian depository receipts

Federal Law no 282-FZ, dated December 30 2006, introduced into the Russian market a new instrument well known in other jurisdictions. Russian depository receipts (RDRs) will allow securities of foreign issuers to circulate on the Russian market, an opportunity which was practically unavailable before the law was introduced.

An RDR is a registered security representing ownership in underlying shares or bonds

of a foreign issuer. It gives its holder a right to claim from the RDR issuer: (i) the number of securities represented by the RDR; (ii) any services necessary to exercise the rights represented by the securities; The issuer of the underlying securities may also bear obligations if, and to the extent, it has expressly undertaken such obligations. The RDRs' issue and prospectus are subject to registration by the Federal Service for Financial Markets (FSFM).

RDRs can only be issued by a FSFM-licensed depository that has existed for more than three years by the time of the issue, and has sufficient capital as required by the FSFM. The rights of a Russian depository acting on behalf of the RDR holders to shares or bonds of a foreign issuer must be recorded by a foreign organization accredited by the Russian regulator. To issue RDRs the Russian depository must conclude an agreement with the foreign issuer, or the underlying securities must be listed on a foreign exchange recognized by the FSFM.

The launch of the first RDR programmes depends on the adoption of implementing legislation by the FSFM. The latter is already under way: the regulator and market participants are discussing practical issues in implementing this legislation. We expect this instrument to come into practice soon and provide a good opportunity for foreign issuers to enter the Russian capital markets, especially companies from the CIS and former Soviet Union, as well as an opportunity for Russian investors to receive a new investment tool.

Stock exchange bonds

On July 27 2006, Federal Law no 138-FZ introduced another new type of securities: the stock exchange bond (*birzhevaya obligatsiya*). A stock exchange bond is a short-term (less than one year) fixed debt instrument which may only be issued by a company listed on one of the Russian stock exchanges. The issuer must have existed for more than three years and have approved statutory financial state-

ments for at least two years. The bonds can only be placed through public subscription on a stock exchange.

The main benefit of this instrument is that its issuance and prospectus are not subject to state registration with the FSFM, but instead are admitted to trading by the stock exchange. The decision on issuance and a prospectus still need to be prepared, but are only verified by the stock exchange when the bonds are admitted to trading. Besides, the form and content of these documents are subject to less stringent requirements than other securities. The stock exchange is only responsible for verifying the completeness of the documents presented, not for checking their credibility.

This legal regime helps stable Russian companies to prepare and organize short-term fund raising on the capital markets. The two main Russian stock exchanges are preparing the corresponding sections of their house rules to set up procedures for admitting stock exchange bonds to trade, so we expect these securities to appear on the market soon.

Securitization and mortgage-backed instruments

The only effective law devoted to securitization is Federal Law no 152-FZ dated November 11 2003, which is accompanied by several implementing regulations by the FSFM. It allows for securitization of only one kind of asset – mortgage loans – and envisages two types of securities: mortgage-backed bonds and mortgage participation certificates.

2006 and 2007 have been important years for Russian domestic securitization; the first two mortgage-backed bonds transactions fully governed by Russian law have been completed. One of them, the mortgage-backed securities (MBS) issuance by First Mortgage Agent of AHML also featured the first Russian subordinated bond issue. The senior class of these MBSs received an A3 rating from Moody's. The other transaction, originated by

Sovfintrade Bank, was a first under Russian law.

Our firm had the opportunity to participate in the preparation of both transactions. To enable the structuring and completion of these MBS issues, Federal Law no 141-FZ, dated August 17 2006, introduced important changes to the MBS law.

These changes included: (i) a more adequate requirement for the size of the bond's collateral, making it more stable; (ii) adjustments to the rules for changing mortgage collateral, allowing the servicer to maintain a proper level of collateral performance; (iii) provisions allowing the special purpose vehicle (SPV) to make certain current expenses from the collateral's cash flow; and (iv) new rules making the subordination of bond tranches (a new concept for Russian securities law) more effective.

The new rules bar junior bond holders from receiving redemption or foreclosure money before senior class investors, and provide new criteria for quantitative collateral adequacy of subordinate bond classes, thus increasing senior classes' stability.

The FSFM is now elaborating a draft law to amend certain laws to enable securitization of various types of financial assets, not just mortgage loans. A general legal regime for securitization is important for the developing Russian market. The draft law is based on the SPV concept; it also introduces welcome improvements to the assignment and pledge of securities, including future cash flows, which are still problematic in Russia.

Subordinated loans

Federal Law no 247-FZ, dated December 29 2006, amended Russian laws on the bankruptcy of credit organizations and on the Central Bank. In conjunction with amendments to the Central Bank's regulations, the law finally makes subordinated loans an effective way for Russian banks to raise funds (in general, the subordination of obligations is now only available in respect of banks and credit institutions). In accordance with these amendments, the Central Bank has allowed subordinate loans to be included in a bank's equity capital, which was previously impossible, although the Central Bank may control the terms and performance of these loans. The amendments also demonstrate that the Russian legal framework is approaching international standards, even in such a traditionally conservative sphere as banking regulation.

Capital markets – equity

Recommended firms

Tier 1

Cleary Gottlieb Steen & Hamilton
Linklaters
Skadden Arps Slate Meagher & Flom

Tier 2

Clifford Chance
Debevoise & Plimpton
Freshfields Bruckhaus Deringer
Latham & Watkins

Tier 3

Akin Gump Strauss Hauer & Feld
Allen & Overy
LeBoeuf Lamb Greene & MacRae
White & Case

Tier 4

Andrey Gorodissky & Partners
Hogan & Hartson
Liniya Prava

Capital markets – debt

Recommended firms

Tier 1

Cleary Gottlieb Steen & Hamilton
Linklaters

Tier 2

Allen & Overy
Clifford Chance
Skadden Arps Slate Meagher & Flom
White & Case

Tier 3

Baker & McKenzie
Debevoise & Plimpton
Freshfields Bruckhaus Deringer
Latham & Watkins
LeBoeuf Lamb Greene & MacRae
Lovells

Tier 4

Liniya Prava

The Russian stock exchange has been developing at a ferocious rate with incredible growth in the local stock market. Companies are now prepared to make initial public offerings (IPOs) in Moscow and are increasingly looking to the Russian market rather than London. A recent trend has seen a number of real-estate listings, such as the offerings of PIK and AFI Development.

“The frenzy of getting deals done has increased,” said one lawyer, “because of lingering concerns about what will happen with the elections; so people are trying to get deals done now”. But the number of would-be

issuers isn't matched by the market's appetite for shares – IPOs are regularly cancelled due to disappointing subscriptions, and lofty predictions of 100 or more flotations per year are starting to look fanciful.

This is supplemented by activity in the debt capital markets, which has also increased sharply. The loan participation market has been particularly strong with banks such as Alfa Bank and Bank of Moscow tapping subordinated loans even more than usual. There has also been a rise in the number of securitizations, which banks are coming to appreciate as a cheaper source of financings. And diversified payment rights (DPRs) are also becoming increasingly popular.

Allen & Overy

Irina Mashlenko leads a steadily expanding capital markets operation which has been acquiring lawyers from rivals. The Moscow office now has three partners and eight associates working in capital markets. The latest arrivals are Varun Gupta and Ken Miyamoto, both formerly of Latham & Watkins. Partner Varun Gupta in particular is seen as a significant acquisition and competitors suggest this is indicative of a practice which is broadening its focus. Traditionally the firm has concentrated on debt work, but if all goes to plan the firm could soon be ascending the equity rankings.

In the meantime, the mainstay of the practice's work is securitization, an area in which it has had involvement in a number of eye-catching transactions over the last year. In one example, the practice counselled JSC Gazprombank as arranger of the first domestic securitization of rouble-denominated mortgage certificates. The originator is a Sovfintrade, a Russian mortgage refinancing bank and a subsidiary of JSC Gazprombank, and the transaction raised R3 billion (€86.3 million).

In another significant deal the practice advised the lead managers, Raiffeisen Zentralbank Österreich, Raiffeisenbank Austria and HSBC Bank, in connection with a cross-border securitization of mortgage certificates for Moskommertsbank, the Russian subsidiary of Kazkommertsbank, a Kazakh institution. The firm also assisted Bank St Petersburg in connection with a \$125 million debut loan participation note (LPN) issue; Bank Zenit with a \$200 million LPN issue; and Nomos Bank with a \$150 million issue of the same instrument.

Leading lawyers

Varun Gupta
Irina Mashlenko

Baker & McKenzie

Baker & McKenzie has a solid debt team which is lauded by clients for being “very efficient and very proactive” and because its members are “hands-on and really push deals forward”. Carter Brod is singled out as being “extremely knowledgeable and extremely experienced in emerging markets work and is a very safe pair of hands”, while David Scott is said to be “very diligent”. The team has had two departures and three arrivals, all at associate level, over the last year.

Among the year’s highlights the firm acted as English and Russian counsel to the joint lead managers, Dresdner Kleinwort and UBS, on a \$175 million eurobond offering by Absolut Bank, as well as advising Slavinvestbank, in a \$100 million offering of 9.875% LPNs due 2009. The team also guided the lead managers Barclays Capital and Vneshtorgbank in an offering of 9.5% LPNs due 2009 issued by IIB Luxembourg as well as advising the lead managers Dresdner Kleinwort Wasserstein and HSBC in an offering of 8.8% LPNs due 2009 issued by MB Capital. Both offerings were again around the \$100 million mark.

Baker & McKenzie has also been involved in its fair share of securitization work. In a standout mandate the firm has been acting for the joint lead managers Dresdner Kleinwort Wasserstein and Merrill Lynch International in Russia’s first DPR securitization. The DPR multicurrency securitization programme for Alfa Bank, the largest Russian private bank, has raised around \$1.3 billion in funding in three issuances. In another first, the firm gave counsel to Vneshtorgbank in Russia’s first residential mortgages securitization, raising \$90 million of securitized debt.

In other similar work the practice advised Sovfintrade in connection with its €165 million securitization of residential mortgages, as well as giving counsel on the DPR multicurrency securitization programme for MDM Bank, which raised \$500 million in funding in the first issuances.

Leading lawyers

Vladimir Dragunov

Cleary Gottlieb Steen & Hamilton

“Cleary has always been a powerhouse,” said one analyst, and this sentiment is echoed throughout the market. Partner Scott Senecal has led Cleary Gottlieb Steen Hamilton’s 21-lawyer Moscow operation through another bumper year in capital markets. Murat Akuyev has turned a lot of heads with his “good work” over the last 12 months and the team has continued to benefit from the solid

input of London-based Daniel Braverman, described by one rival as “one of the all-timers”.

In the last year the practice has emphasized its considerable clout on the equity side, advising the issuers in the two biggest-ever Russian IPOs. In the largest, which was also the first concurrent international and Russian retail flotation, a team provided counsel to Rosneft in its July 2006 \$10.6 billion offering of global depository receipts listed on the London Stock Exchange and shares listed on the Russian trading system (RTS) and the Moscow Stock Exchange. In the second-largest Russian equity offering to date, the practice counselled Sberbank in its \$8.85 billion equity offering in March 2007, which was the first public equity offering of a Russian bank.

The practice again demonstrated its all-round aptitude for capital markets work by advising a number of underwriters in IPOs including those of Polymetal in February 2007 for \$605 million; Chelyabinsk Zinc Plant in November 2006, raising \$314 million; TMK in the same month, which generated \$1.06 billion; and CTC Media in June 2006 for \$346 million.

The firm also had a strong run on the debt front, especially in the area of Eurobonds, where it has advised on more offerings by Russian issuers than any other law firm. Recently the practice has provided guidance to the state in the issuance of more than \$38 billion in Eurobonds; to Kuzbassrazrezugol, Russia’s largest open-pit coal miner, in its debut \$200 million offering in July 2007; and to International Industrial Bank (IIB), also in its debut Eurobond a year earlier and two subsequent issuances in February and July 2007 totalling €450 million. On the underwriters’ side the firm had notable involvement in the February 2007 \$1.3 billion debut Eurobond by Transneft, Russia’s monopoly in crude oil pipelines, and the \$300 million debut Eurobond by TMK in September 2006.

Leading lawyers

Murat Akuyev
Daniel Braverman

Clifford Chance

Clifford Chance’s Moscow capital markets group has responded to the tremendous increase in the volume of Russian capital markets deals by expanding its operation in the last year, taking on six new associates. Managing partner Michael Cuthbert and Russian securities partner Arthur Iliev head the office’s capital markets team, one of the few in Russia that concentrate heavily in all areas of capital markets.

That said, in capital markets circles the practice is most renowned for its work in securitization, a market which is still in its infancy but with potential for considerable growth and in which Clifford Chance is something of a pioneer. Between May 2006 and May 2007 the firm was involved in various capacities in seven publicly listed true-sale securitizations involving Russian assets. On the lead arrangers’ side the team advised Merrill Lynch and Dresdner Kleinwort on the Rule 144A auto loan securitization by Taganka Car Loan Finance. The deal, which is the largest auto loan securitization in Russia to date, totalled \$403 million and closed in October 2006.

The firm also represented Société Générale on the \$215 million Red & Black Prime Russia issuance of public residential mortgage-backed securities (RMBS). Also on the RMBS side the practice counselled the Agency for Housing Mortgage Lending on its R3.3 billion RMBS, the first domestic transaction of its type to feature tranches.

Clifford Chance has had a solid showing on the debt side and in recognition of his good work in debt capital markets and derivatives Tamer Amara was promoted to partner in May 2007. Tamer will continue to concentrate on debt financing. One highlight in this category came in May 2007 when a team advised on the \$1.25 billion 6.299% drawdown under the updated \$3 billion programme for the issuance of loan participation notes by RSHB Capital to finance loans to the Russian Agricultural Bank. In another, the practice counselled ABN Amro on the establishment and update of a \$4 billion programme for the issuance of LPNs by Sibacadefinance to finance senior and subordinated loans and drawdowns to URSA Bank. The firm was also visible with its involvement in the issuance of \$400 million 7% loan participation notes by Transcredit Finance and the establishment of a \$1 billion Euro commercial paper programme by Russian Standard Capital.

Clifford Chance’s Moscow office is less well known for its work in equity capital markets, but with eight lawyers now working in this area the firm has a significant offering in this respect. And it has advised on a number of important IPOs over the last year advising both underwriters and issuers. With regards to the former, the firm notably acted for Deutsche Bank, Credit Suisse and Morgan Stanley on the November 2006 \$317 million IPO of Rospadskaya, a Russian coal company, and Royal Bank of Scotland and the Bank of New York in connection with VTB’s \$7.99 billion IPO in May 2007. On the issuer side, the team counselled OGC-5 on its \$460 mil-

lion flotation in November 2006, the first IPO of a Russian energy company, and Nutrinvestholding on its \$200 IPO in May 2007.

Rivals have a tremendous amount of respect for Arthur Iliev, who one described as “a very good, professional and hard-working lawyer”.

Leading lawyers

Michael Cuthbert
Arthur Iliev

Freshfields Bruckhaus Deringer

Market participants are unreserved in their praise of Mikhail Loktionov, who leads Freshfields’ capital markets practice in Moscow, and this year he has assisted in all the firm’s key deals across the capital markets spectrum. The arrival of Vladimir Khrenov from JPMorgan Chase Bank in July 2006 and Pavel Koutovoi from Linklaters in October 2006 has significantly strengthened Freshfields debt capital markets and structured products practice, and rivals have recognized that the firm has been “making good ground in establishing their practice” in these areas. And despite losing Alexander Klotchkov to DLA piper and Yuri Kachuro to Clifford Chance there is still a feeling in the market that Freshfields is building on its equity capital markets capacity.

In this area the firm’s most notable involvement of the past year saw it advise Severstal on its \$1 billion international IPO and listing on the London Stock Exchange in November 2006, which was one of the first large deals under the new Russian regulatory regime with respect to international offerings of equity by Russian companies. It featured an upgrade of corporate governance standards to a level rarely seen even among Russian issuers listed in the West. Another eye-catching episode came in September 2006 when a team counselled Open Investments on its \$881 million secondary public offering, including a listing in Russia and an international Regulation S offering.

The practice was particularly visible on the debt side in March 2007 when it gave guidance to EuroChem Mineral and Chemical Company on its debut \$300 million Eurobond issue as well as assisting MDM-Bank as lead manager on a \$180 million credit linked note (CLN) issue by Mirax Group. Other highlights include helping Rosbank with the issue of R7 billion secured fixed-rate notes listed on the Irish Stock Exchange in September 2006 and advising Teorema, a Russian real-estate development group, on a \$75 million issue of equity-linked notes the following month.

The firm has also had some solid mandates in structured finance. The advice it gave to Fitch Ratings on the securitization of Vneshtorgbank’s mortgage loan portfolio stands out, as does the guidance it gave MDM-Bank as lead manager on a \$100 million CLN issue for Prodimex Group, a Russian sugar producer.

Leading lawyers

Mikhail Loktionov

Latham & Watkins

Latham & Watkins comes down from the first tier in the equity rankings this year after a number of defections from its capital markets practice. Critically, Varun Gupta left for Allen & Overy taking Ken Miyamoto with him, while Alexei Novozhilov has moved to Credit Suisse. “They no longer have a team now they have lost these key individuals,” said one observer, though this is not quite true since – the firm’s remaining lawyers include Anya Goldin, of whom one rival said: “Anya is very experienced and a very tough negotiator. For an equity deal she is one of the top specialists.”

The firm has traditionally been a favourite for issuers in capital markets deals, and has recently been in evidence in a number of high-profile episodes, most notably representing VTB, Russia’s second largest bank, in its \$8 billion IPO on the London Stock Exchange – the first foreign listing of a Russian bank. The firm also advised Sitronics, a Russian technology company, in connection with its \$402 million IPO. In 2006 the firm counselled Sistema-Hals in its \$432 million flotation as well as advising Comstar United Telesystems, Russia’s largest private fixed-line telecoms company, on its \$1.06 billion IPO.

The firm is less well known for its work in debt but managed to attract a number of sizeable debt mandates in 2006. Notably the practice gave counsel to VTB Capital on the \$1.75 billion drawdown under its \$10 billion LPN programme listed on the Irish Stock Exchange. A team also acted on the issue by Sitronics Finance of \$200 million 7.875% notes due 2009 guaranteed by joint-stock company Sitronics. Furthermore the firm represented the Moscow Bank for Reconstruction and Development in connection with its \$100 million 8.8% loan participation notes due 2009 issued through MB Capital.

Leading lawyers

Anya Goldin

LeBoeuf Lamb Greene & MacRae

Mark Banovich heads LeBoeuf’s capital markets team, which competitors have reported seeing less of in recent times. But nobody is questioning the quality at the firm and Brian Zimble is frequently singled out by the market as being “very capable”. The practice is famed for its work with depository banks and one big client is Deutsche Bank Trust Company Americas, with which it has worked on a number of programmes.

In recent high points the firm was involved in the \$144 million Swiss public offering and international private placement under Regulation S by Eastern Property Holdings, a Swiss Exchange-listed company with Russian property investments. The practice also provided counsel to Veropharm, a Russian pharmaceuticals company, on a \$140 million domestic offering and an international private placement under Regulation S, with an admission to trading on the RTS and the Moscow Interbank Currency Exchange. In addition a team acted as special counsel to Deloitte on matters of US, UK and Russian securities law, setting up plan operator rules to ensure securities law compliance for a management incentive programme for Novatek.

Leading lawyers

Brian Zimble

Linklaters

Linklaters is thriving on Russia’s extremely active capital markets and is, as one competitor put it, “chucking out deal after deal”. Another went as far as saying: “Linklaters are in every deal and should almost be in a tier on their own.” Dmitry Dobatkin, who leads the 19-lawyer practice, comes in for praise from competitors and clients alike. One rival described him as a “super smart, highly professional, amazing” lawyer. Clients really appreciate the firm’s “good quality people” and the fact that Dobatkin “brings a full team of proper capital markets lawyers with UK and US experience”. London-based Jason Manketo is one such individual and is frequently recommended.

Although the practice has demonstrated competence representing issuers from time to time, it is regarded as principally providing underwriters’ counsel. Among the year’s highlights, the team acted on the landmark \$10.6 billion IPO of Rosneft, the \$8 billion IPO by VTB and the R230 billion rights issue and public offering of Sberbank, as well as a host of other equity issues, including those of Severstal (\$1.06 billion), MMK (\$1 billion), PIK Group (\$1.8 billion), Pharmastandard (\$880 million) and Intrega (\$768 million).

Linklaters is also very strong in securitization. After working on the first Russian secu-

ritization in July 2004 – the \$1.25 billion Gazprom secured export notes deal – the practice has maintained a good momentum in the field, this year completing the groundbreaking R3.3 billion debut residential mortgage-backed securitization by the Russian Agency for Housing and Mortgage Lending, and the Red Arrow securitization of \$500 million railcar leasing receivables.

The team has also worked on some complex foreign-exchange repackagings, such as the VTB/Dali Capital deal, and complex refinancings involving Export Credit Agency guarantees, notably the \$1.87 billion Blue Stream refinancing bond. In February 2007, the practice advised on R10 billion Eurobond issue by Gazprombank, the first ever rouble-denominated and rouble-settled Eurobond. The firm has also provided advice to the EBRD on its rouble bond, the first-ever bond issued by a non-Russian issuer to be placed in Russia.

Leading lawyers
Dmitry Dobatkin

Skadden Arps Slate Meagher & Flom

“Skadden have been going bananas; they are very active,” observed a rival. This is no overstatement. The practice has been flourishing from the increased work that is emanating from the market, advising on numerous high-profile capital markets deals over the last year. And the team is not just doing the deals; it is doing them well. Clients commend the firm because its lawyers are “focused on the key issues” and are “always there for us despite it being the busiest time in the IPO season”. The team is described as having done a “very good job” and being “very credible”. “I would give them a very glowing recommendation,” said one client. And the practice has been expanding, prompting a move to new premises in February 2007.

Skadden has had a good mix of equity mandates on both the issuer and the underwriter sides. Representing issuers, the practice notably advised on Pharmstandard’s \$1 billion IPO, Integra Group’s \$768 million Regulation S IPO and OAO Polymetal’s \$600 million Rule 144A/Regulation S combined primary and secondary IPO. On the side of the underwriters the firm provided counsel on Magnitogorsk Iron & Steel Works’ \$1 billion flotation, JSC OGC-5’s \$459 million Regulation S offering of ordinary shares dual-listed on the Moscow Interbank Currency Exchange and the RTS – the largest Regulation S offering ever by a Russian company – and Trader Media East’s \$565 million flotation.

The firm is better known for its work in equity capital markets but a number of clients trust the team’s competency in debt enough to appoint it in novel transactions. The Bank of Moscow, for instance, called upon Skadden to guide it through its first non-domestic rouble-denominated offering of R5 billion 7.25% secured fixed-rate notes due 2009, issued by Dali Capital. Likewise, UBS Limited and UBS Securities appointed the firm when managing the issuance of \$234 million 8.25% loan participation notes due 2016, in the first-ever exchange offer of debt securities by a Russian company. Angara Mining also brought the firm on board for its offering of \$50.1 million 7.0% convertible bonds, the first pre-IPO offering of convertible bonds by a Russian issuer.

Leading lawyers
Alexey Kiyashko
Pranav Trivedi

White & Case

Sven Krogius heads the capital markets team at White & Case, which has traditionally focused primarily on debt work but has increasingly sought to profit from the IPO market by developing its practice in this area too.

And the firm has had some noticeable successes, such as representing TMK, a manufacturer of steel pipes, in its \$1.07 billion IPO, which was oversubscribed by 19 times. The flotation follows closely upon the completion of an offering in September 2006 of LPNs on which White & Case also advised TMK. The practice also had notable involvement in May 2007’s \$1.4 billion IPO of AFI Development in the real-estate sector.

The team is very popular with clients. “We always get a premium service from them,” said one, adding that the firm offers very competitive quotes. Sven Krogius is a favourite. One client said: “He makes our lives extremely easy by being extremely proactive and very hands-on.”

White & Case continues to fire on all cylinders in debt work. In one standout transaction it represented Alfa Bank, a Russian privately owned bank, in its issuance of €230 million and \$260 million notes, in the largest-ever issuance of publicly placed unwrapped DPRs, as well as being the largest securitization in the Commonwealth of Independent States to date. This follows on the firm’s representation of Alfa Bank in 2006 in the first securitization of DPRs in Russia.

Among the year’s other highlights, the practice acted for the City of Moscow in the offering of €407 million 5.064% LPNs issued by Dresdner Bank. The notes were

admitted to trading in Switzerland. A team also served as adviser to Ursa Bank, the largest bank in Siberia, in connection with the establishment of a \$1 billion LPN programme to finance senior and subordinated loans to Sibacadembank.

Leading lawyers
Sven Krogius

Banking

Recommended firms

Tier 1

Allen & Overy
Clifford Chance
Linklaters

Tier 2

Freshfields Bruckhaus Deringer
Herbert Smith
White & Case

Tier 3

Baker & McKenzie
Cleary Gottlieb Steen & Hamilton
Chadbourne & Parke
Denton Wilde Sapte
LeBoeuf Lamb Greene & MacRae

Tier 4

CMS Cameron McKenna
Gide Loyrette Nouel
Lovells
Salans

Tier 5

Akin Gump Strauss Hauer & Feld
Debevoise & Plimpton
Latham & Watkins
Norton Rose
Skadden Arps Slate Meagher & Flom

Tier 6

Alrud
Andrey Gorodissky & Partners
Jurinflot International Law Office
Monastyrsky Zyuba Stepanov & Partners

Lending into the booming real estate market has really accelerated over the last year and there has also been a growing number of acquisition financing deals. One analyst went as far as describing conditions as “the hottest market it has ever been”. Meanwhile there has been a slight decline in credit linked note agreements which peaked last year. Structured equity deals were “very much flavour of the year last year” according to one banking lawyer, but again the frequency of these transactions has dropped off this year. Looking ahead there is now more interest in securitizing corporate loan portfolios: this has not

happened yet but some are predicting that it will happen in the next year.

Allen & Overy

Allen & Overy's solid Moscow practice is spearheaded by a trio of partners, Tony Humphrey, Peter Timchur and Irina Mashlenko, all three of whom command a great deal of respect in the market. Rivals concede that they always enjoy seeing A&O on the other side" and clients admire their counsel because "their depth of knowledge is very good". In particular Mashlenko is said to be "very good" and to have good contacts with Russian clients. Senior associate Edward Baring is also making a good impression, a rival noting that he is "up and coming" and a client gushed: "Ed Baring is a very effective negotiator and extremely responsive to his clients".

The practice is a market leader in Russian commercial bank loan market and continues to regularly advise many of the main players including ABN Amro, Barclays, Calyon, Dresdner Bank, WestLB, BNP Paribas, Gazprombank, ING, Citigroup, Deutsche Bank, Morgan Stanley, Société Générale, Commerzbank and Natexis.

Among the most memorable episodes of the last 12 months, the practice advised Société Générale and Citigroup in connection with \$3.5 billion financing to Gazprom Finance for the purchase of shares in Mosenergo as well as counselling Barclays Bank, Deutsche Bank and JPM Morgan Chase Bank as mandated lead arrangers on a \$850 million financing for JSC Vneshtorgbank.

In a transaction notable for its novelty, a team assisted the Bank of Moscow with a R700 million (€20.14 million) syndicated facility to Novosibirsk – this was the first Russian local syndicated loan to a Russian municipality.

In other interesting labour, the practice advised ABN Amro, Société Générale and Morgan Stanley as mandated lead arrangers in relation to the financing of Gazprom's \$7.45 billion purchase of Sakhalin from Shell. The firm also provided counsel to Barclays in relation to a \$520 million syndicated loan facility for CJSC Boguchanskaya Aluminium Smelter, a joint venture set up by Rusal and Rushydro.

Leading lawyers

Edward Baring
Irina Mashlenko
Peter Timchur

Clifford Chance

Clifford Chance has had a good year and has improved its already considerable banking and finance offering with three hires over the last 12 months. Most significantly it brought Jared Grubb on board from CMS Cameron McKenna. Victoria Bortkevicha was also promoted to partner in May 2007 in acknowledgment of her outstanding work.

The firm's service is widely applauded by clients. One said: "My experience generally with Clifford Chance is first-rate," while another commented: "They are brilliant for us because we have a one-stop shop in Moscow where we can get first-rate advice on English law and first-rate advice on Russian law." Another client described his reasons for choosing to work with the firm: "The bottom line is because they have an extremely efficient partner there, Logan Wright, supported by a very strong team."

And it is Logan Wright, who leads the banking practice along with Michael Cuthbert, who comes in for the most praise, attracting an extraordinary amount of respect from competitors and clients. One rival explained: "He is really flexible and can really segregate the issues that are important from those that are not, so negotiations go very quickly and efficiently." Another said: "He is switched on and smart and gets the point more quickly than the others."

And clients concur. "Logan Wright is a great guy to run the transaction and mobilize the myriad resources of Clifford Chance," said one, adding: "He is an extremely efficient and effective negotiator... a commercial lawyer but not to the detriment of the fine detail that the banks require."

Among the many high-profile banking transactions that the practice advised on over the last year, it provided Natixis with counsel in regard to a \$155 million domestic trade financing of TMK, and advised BNP Paribas as the facility agent in the \$650 million pre-export financing of Sual. Also noteworthy was the \$225 million financing of Rusal, in regard to which the firm acted for Morgan Stanley, and the \$80 million refinancing of the loan to CJSC Serebro Magadana and CJSC Serebro Territorii, in respect of which the firm acted for ABN Amro.

Leading lawyers

Jared Grubb
Logan Wright

Linklaters

Linklaters has a competent banking practice that all agree is worthy of its top-tier position. Michael Bott who leads the team is held in extremely high regard by the market. A rival

remarked that "he is really very good but he is becoming very busy". Daniel Tyler is also the object of admiration, described by one competitor as a "solid, commercial, smart guy". The team has been augmented with the arrival of associates Gerard Souness and Oleg Khomenko and in May 2007 Dmitry Suschev was elected partner.

Linklaters has been profiting from the buoyant M&A market, notably advising Gazprom on the \$13 billion acquisition finance facility to finance its purchase of Sibneft, and providing counsel to ABN Amro, Dresdner Bank, JPMorgan and Morgan Stanley on their \$7.5 billion acquisition finance facility for Rosneftegaz, secured by pledges over shares in Rosneft.

The practice has advised on a number of other high-profile financings. Among the highlights it gave counsel to Citigroup as arranger on the \$135 million covenant-lite credit facility to Sputnik Group; to X5 Retail Group as the borrower on the \$60 million financing of treasury shares; to EBRD on its R7.2 billion secured loan facility for Mosenergo; and to the arrangers of a \$200 million pre-export financing facility for the Russian iron producer Mikhailovsky. The firm also advised on a \$600 million syndicated loan to Russian Railways, arranged by Barclays, Dresdner, HSBC and RZB as well as assisting ABN Amro, Dresdner Bank and Deutsche Bank as arrangers of the \$800 million syndicated loan for Russia's state bank, Vnesheconombank.

Leading lawyers

Michael Bott

Freshfields Bruckhaus Deringer

There have been a number of changes in the personnel at Freshfields' Moscow office for a second year running: Alexander Korogodov and Karen Young who left the firm in 2006 have been replaced in 2007 by Oleg Bilousenko, who joined from Dewey Ballantine, and Stanislav Lysikov from Akin Gump.

Mikhail Loktionov, who heads the practice, led a number of high-profile financings over this period. In one outstanding deal he gave legal advice to Société Générale, JSC Banque Société Générale Vostok, Raiffeisen Zentralbank Österreich and Raiffeisenbank Austria on a secured \$400 million syndicated coal pre-export facility for Siberian Coal and Energy Company. This transaction was the winner of *Trade Finance's* 2006 award for the deal of the year.

In another standout transaction, Loktionov and the team advised Nomura International on a \$100 million facility to

Sistema-Hals, a real-estate developer in the Moscow region. They also notably assisted VTB Bank Europe on a three secured pre-export finance facilities: one of \$25 million to CanBaikal Resources, a Canadian oil and gas company operating in Russia; another of \$35 million for Russian oil company Tebuk; and a third, of \$25 million, for Bogorodskneft, also a Russian oil company.

In one large deal that Loktionov was not involved in, the practice counselled ABN Amro on an unsecured \$200 million loan to Naftogaz of Ukraine for general corporate purposes.

Leading lawyers

Mikhail Loktionov

White & Case

Maya Melnikas and Irina Nesvetova joined the partnership in June 2006 and now head White & Case's three-partner and nine-associate finance practice. The finance team advises on a broad range of financings, including project, infrastructure and real-estate financing, acquisition and equity-based financing, and securitization. Together, these deals totalled nearly \$5 billion for the period from May 2006 to May 2007.

The firm's clients include multinational commercial banks, multilateral financial institutions and export credit agencies, property developers and investors in the natural resources sector. In one transactional highlight a team advised Aeroflot on short- and long-term financings of seven Airbus A321-200 aircraft, including pre-delivery payment financing and an Export Credit Agency-backed finance lease facility arranged by two bank syndicates. The financings total more than \$400 million.

Leading lawyers

Maxim Levinson

Baker & McKenzie

Baker & McKenzie's banking and finance department is led by the widely respected David Scott. One rival said: "David Scott is fluent in Russian and knows the market. He is definitely a leader in the market."

Baker & McKenzie is another firm at which there has been some staff turnaround over the last year. Olga Davydava and Andrei Pozhitkov have moved on from the practice while Maxim Smyslov and Anton Selivanovsky have arrived to pick up the mantle.

The practice has a busy summer in 2006. In May it counselled Black Sea Trade and Development Bank on a secured \$23 million

loan facility to CJSC Rusal Armenal, the Armenian subsidiary of Rusal, a Russian producer of aluminium and alloys. In June a team advised ING Bank on its \$150 million loan to Vnesheconombank. And in July the firm gave guidance to Raiffeisenbank Austria on its \$50 million term loan facilities to the MCD Group to finance the construction of a multi-storey office building in the centre of Moscow.

At the time of writing the team was rendering advice on several key transactions, including multi-jurisdictional real-estate financings and Russian law-governed syndicated lending arrangements.

Leading lawyers

David Scott

Cleary Gottlieb Steen & Hamilton

Although better known for its excellent capital markets work, Cleary Gottlieb also has involvement in a number of financing deals. And clients are obviously happy with the service the team provides since they continue to come back for more. Following the practice's counsel on a \$1 billion syndicated loan in November 2005, Sberbank returned to the firm with a new mandate resulting in a \$1.5 billion syndicated loan in October 2006, the largest syndicated loan to date by a Russian financial institution. Vnesheconombank also recalled the firm following a \$500 million syndicated loan in 2005, to counsel it in the arrangement of a further \$800 million syndicated loan in July 2006.

Leading lawyers

Scott Senecal

Chadbourne & Parke

Chadbourne & Parke has been growing over the last year acquiring three associates plus Jennifer Handz at partner level from the European Bank for Reconstruction and Development (EBRD). The Moscow office now has five partners, one of counsel and 17 associates.

Chadbourne & Parke is another firm that has been benefiting from the healthy levels of M&A activity in the market. For instance the firm acted for Golden Telecom in a \$275 million syndicated loan arranged by Citibank and ING Bank to finance the company's expansion plans, which include the acquisitions of Corbina and Fortland. A team also advised EBRD with regard to a secured loan of up to \$40 million to OAO Autocrane, most of the proceeds of which would be used for the acquisition of the shares of AO Gazprom-Crane from Activus.

The firm also advised the EBRD concerning a senior secured \$40 million loan to EPAM Cyprus, a wholly-owned direct subsidiary of EPAM Systems, an American IT services company with operations in Russia. In another notable transaction the firm acted for Turkcell in a \$3 billion syndicated loan arranged by Arkbank Citibank, Garanti Bankasi, HSBC, JPMorgan and Standard Bank.

Mergers and acquisitions

Recommended firms

Tier 1

Freshfields Bruckhaus Deringer
LeBoeuf Lamb Greene & MacRae
Linklaters
White & Case

Tier 2

Baker & McKenzie
Clifford Chance
CMS Cameron McKenna
Salans
Skadden Arps Slate Meagher & Flom

Tier 3

Akin Gump Strauss Hauer & Feld
Allen & Overy
Cleary Gottlieb Steen & Hamilton
Debevoise & Plimpton
Herbert Smith
Latham & Watkins

Tier 4

Alrud
Andrey Goroditsky & Partners
Chadbourne & Parke
DLA Piper
Norton Rose
Monastyrsky Zyuba Stepanov & Partners
Pepeliaev Goltsblat & Partners

"M&A in Russia has never been so active in the last 12 years – the big trend is domestic," commented a corporate lawyer. Energy, real estate and banking are the busiest areas. The hyper-domestic M&A market is a sign of an increasingly prospering economy, much of it down to high oil and commodity prices. This has allowed companies to accumulate cash for acquisitions and Russians are increasingly looking to acquire assets abroad. In 2006, roughly \$10 billion was spent on outbound acquisitions. Most conspicuous is the R3.3 trillion (\$127 billion) Stabilisation Fund – built up from the country's oil profits – which is looking to invest. And the term "Gazpromization" has entered international parlance to describe the aggressive acquisition of assets through state-owned companies.

So great is the desire of Russians for foreign assets that inbound acquirers are reportedly encountering an asset-swap phenomenon: when they seek to buy in Russia they are frequently asked whether there is anything other than money that they can trade. And the inclination to diversify one's portfolio outside Russia is supported by the government.

Banking is one area where foreigners have been doing a lot of acquiring, as evidenced recently for example by Société Générale's acquisition of Rosbank. Russian banks have apparently largely resigned themselves to this trend because they are struggling to cope with the growth in consumer credit. As one lawyer put it: "To get to the next step they need to invite even more experienced players with more capital." But the government, whose stance is so often one of fierce nationalism, does not appear to have a problem with this – banking is not viewed as a strategic sector.

Freshfields Bruckhaus Deringer

It has been a year of considerable change for Freshfields' M&A team. There have been eight departures – most notably of senior associates Alexander Klotchkov, Thomas Mundry and Yuri Kachuro – and six new recruits. In addition partner Harvey Nugent has relocated from the London office to Moscow and Mikhail Irzhevsky has been promoted to the partnership. The practice retains Jacky Baudon who is frequently identified by the market as "a good corporate lawyer with a good understanding of Russian law".

Freshfields has been visibly a part of the trend identified above of foreign players entering the Russian financial services market, most notably advising Zurich Financial Services Group on its acquisition in February 2007 of a majority stake (66%) in Nasta, an insurance company. In combination with Zurich's existing Russian businesses, this acquisition positions the group as the largest foreign general insurer in the Russian market.

In other work, a team counselled the selling shareholders, Andrey Korkunov and Sergey Lyapunov, on the \$300 million sale of 80% of shares in A.Korkunov, a premium chocolate company in Russia, with the remaining 20% of shares to be sold over time to The Wm Wrigley Jr Company. Emerence Company, an affiliate of IFC Metropol, also sought guidance from the firm in connection with the \$125 million sale of a 49% interest in the Ozernoe project, a major zinc and lead deposit located in the Republic of Buryatia. Ilim Pulp, Russia's largest pulp and paper holding, also took counsel from the team with regards to its proposed joint venture with, and sale of 50% of shares to, International Paper.

Leading lawyers

Jacky Baudon
Dmitry Surikov

LeBoeuf Lamb Greene & MacRae

"LeBoeuf has a very solid M&A practice" noted one market participant, adding: "It is Brian Zimbler who is really working the magic there. He is a very strong lawyer and has been in the market a long time." This appraisal chimed with the general feeling in the market for a firm that has become a regular feature in the coveted top tier. Oleg Berger, who heads the M&A team, also gets a lot of respect because, as one rival explained: "He is very good because he is very reactive and good in negotiations." Vasilisa Strizh also merits frequent mention.

Many of the firm's most lucrative mandates have stemmed from the roaring energy market. In a case in point, a team advised Eni, an international energy company based in Italy, on its subsidiary EniNeftegaz's \$5.83 billion acquisition of a group of Russian gas exploration and production assets – 100% of Arctic Gas Company, Urengoil and Neftegestechnologia – as well as a 20% share stake in Gazprom Neft, in the third-largest foreign acquisition in Russia's energy sector to date.

In another standout deal, the practice gave counsel to ESN Group, a diversified energy group, on the \$105 million sale of a 49.5% stake in RusEnergoby, a private energy trading company, to Enel, an Italian energy company. The joint-venture company is expected to dominate the private energy trading sector. The LeBoeuf team also assisted with the \$1.3 billion sale by CNPC International, the international arm of China National Petroleum Corporation (CNPC), of a 33% stake in PetroKazakhstan to KazMunaiGaz, the Kazakh state-owned oil and gas exploration company.

LeBoeuf has also taken advantage of the real-estate market. Recently the firm guided Eastern Property Holdings, a property investment group listed on the Swiss Stock Exchange, through its \$65 million acquisition of a company whose main asset is the Petrovsky Fort Business Centre, an office and retail building in St Petersburg. The practice also had notable involvement in the acquisition by InterOil Trading of a 50% stake in a commercial real-estate project which envisions the construction of a shopping mall in the Moscow region. Furthermore it was a LeBoeuf team that represented the same client on the \$150 million sale of a Moscow shopping centre to Immoeast Project Finance Holding, the leading listed property company

in Austria with a focus on investments in central and eastern Europe.

Leading lawyers

Oleg Berger
Brian Zimbler

Linklaters

"I would see Linklaters admittedly at number one right now" said a rival. The firm has had a fantastic year and received unreserved praise throughout the market. In particular, Dominic Saunders, who was managing partner of the Moscow office until August 2005 and is now located in London but still "100% engaged on Russian work", is lauded by market participants. One said: "Dominic is experienced, a careful and thoughtful guy who does not solely want to finish the deal but asks questions." With the election of Hugo Stolkin to the partnership in May 2007 and the recruitment of a number of new associates, the team now consists of three other partners and 20 other fee earners.

The practice has remained busy in the traditional energy and resources sector, with involvement in a number of key deals including the merger of Sual, Rusal and Glencore, Rio Tinto's joint venture with Norilsk Nickel, and RWE's acquisition of a Siberian gas field. The first of these stands out: two separate teams advised both Sual and Glencore on the \$30 billion merger of Rusal, Sual and the aluminium and alumina assets of Glencore to form United Company Rusal. So does the firm's representation of Dalecone on the disposal of 33% of TMK, one of the largest producers of pipes in the world.

In financial services, the practice continues to advise Merrill Lynch and Goldman Sachs on the establishment of their licensed broker-dealer subsidiaries in Russia; shareholders of MDM, Eurochem and SUEK on an asset swap; and Lehman Brothers on its Russian operations. A team from the firm also provided counsel to the selling shareholders on the \$1.01 billion sale of Absolut Bank to KBC Group, as well as advising on the acquisition by VTB from Russia's Central Bank of a series of interests in Russian overseas banks.

Linklaters has also benefited from an active retail sector advising Alfa Group on the \$70 million buyback of X5 Retail Group, Diageo on the purchase of 75% of the Smirnov Vodka brand from Alfa Group, and Alfa Group on the \$4 billion merger of Pyaterochka and Perekrestok, two retail groups.

Leading lawyers

Dominic Sanders
Denis Uvarov

White & Case

With five partners, 24 associates and 11 other fee earners, White & Case's Moscow office boasts one of the largest teams of corporate lawyers on the ground of any international law firm in Russia. The practice's substantial size is more than matched by the respect accorded to what one competitor termed "a commanding and potent corporate presence in the Russian market". The team members receive recurrent commendations from the market, especially Igor Ostapets, who is said to be "very good...a very knowledgeable attorney".

Over the last year the firm's workload has mirrored trends in the market and it has been kept particularly busy in the energy and banking sectors. Ostapets was awarded a prominent mandate advising TNK-BP on the sale of a 96.9% stake in the Russian oil firm Udmurtneft to China's Sinopec, one of the largest Russian M&A transactions in 2006. This deal was also significant because it gave Beijing its first stake in Russian oil, strengthening energy ties between Russia and China. TNK-BP has retained the "extremely efficient" Ostapets in a number of other recent transactions, including in the sale of Saratovneftegaz, Orsknefteorgsintez, Orenburgnefteprodukt and Neftemaslozavod to the Russian oil company RussNefte.

In other key work in the energy sector the firm advised Gazprom Group on its acquisition of a 19.39% stake in Novatek, a gas producer, as well as counselling Korea National Oil Corporation on its planned acquisition of 40% of a joint venture with Rosneft for the exploration and development of the West Kamchatka Shelf.

In the banking market, Société Générale engaged the team to represent it in a multi-stage acquisition of Rosbank, a private consumer bank, from the Interros Group. Nordea Bank also turned to White & Case when it sold its 23.42% holding in International Moscow Bank (IMB) to Bayerische Hypo- und Vereinsbank. The disposal of shares in IMB provided Nordea with a substantial capital gain and the flexibility to pursue other investment opportunities in Russia, including the \$314 million acquisition of a 75% stake in Orgresbank, which was completed in March 2007.

Leading lawyers

Eric Michailov
Igor Ostapets
Hermann Schmitt

Baker & McKenzie

Baker & McKenzie has a solid corporate offering in Moscow, with a number of its team rec-

ognized as among the market's finest practitioners. Sergei Voitishkin, for instance, is regarded as a "pragmatic and resourceful deal turner – the kind of guy you want working for you" and "clearly a leader in this market". The firm has had a bountiful year although at associate level there has been some turnaround, with five associates leaving the firm and seven joining. An aim of the M&A practice is to be specialized and to this effect it has been focusing in particular on the pharmaceutical, banking, mining, oil and gas, fast-moving consumer goods and information technology industries.

The firm has had a number of key commissions, especially in the banking sector. At the time of writing a team was busy assisting KBC Group on its acquisition of at least 92.5% of Absolut Bank, in a deal which values the bank at \$1 billion. Back in September 2006 the practice advised OTP, Hungary's largest bank, in connection with its \$477 million acquisition of a 96.4% stake in Russia's Investsberbank Group. This was one of the first bank acquisitions in Russia which also involved advice on a minority buyout under new Russian takeover rules.

In a separate operation, Baker & McKenzie has been guiding TGK-5 on a dual-track placement of shares to strategic investors and on a Russian private placement using a new structure which has not been tested previously in Russia.

The firm was also engaged to provide counsel to Camco International on the acquisition of the Russian carbon developer MCF Finance and Consulting and its portfolio of carbon asset development agreements under the joint-implementation mechanism of the Kyoto Protocol.

Leading lawyers

Sergei Voitishkin

Clifford Chance

Clifford Chance's corporate group has grown significantly during the past year in response to the tremendous increase in the volume of local and international corporate deals coming to the Russian market. Eight new recruits have been signed and of these, Yuri Kachuro at partner level is the most significant – the experience he brings from Freshfields will certainly have strengthened the practice. The corporate team now numbers 41 American, English and Russian-qualified lawyers and many market observers have commented that the practice will soon be vying for a place in the first tier. Marc Bartholomy leads the practice and is said to be "very pragmatic, very experienced...easy to work with and cooperative".

Recently the corporate team has been involved in a number of high-profile M&A deals including two groundbreaking acquisitions in the power generation sector. In June 2007 a team advised Alfa Bank and Merrill Lynch on a sale by RAO UES of a 25.03% stake in OGK-5, an open joint-stock company. The disposal was made through a public auction from which Rusal emerged triumphant with the highest bid of \$1.5 billion. This came hot on the heels of the April public auction for the newly issued shares of OGK-3, through which the Clifford Chance team had steered the victorious Norilsk Nickel, with a \$3.1 billion bid, in the face of fierce competition from Enel and Gazprom.

The practice has continued to advise several international financial institutions, assisting German insurance group Allianz with its acquisition of a controlling stake in Rosno, a transaction which values the Russian insurer at \$1.5 billion.

In another prominent deal, a team provided counsel to the Rosoboronexport State Corporation, the sole state intermediary agency for Russia's military exports and imports, with regard to the \$900 million purchase of a majority stake in VSMPO-Avisma, a manufacturer of ingots and other titanium alloy products.

Leading lawyers

Marc Bartholomy
Andrei Dontsov

CMS Cameron McKenna

Under the stewardship of David Cranfield, CMS Cameron McKenna's corporate practice in Moscow has been increasingly visible in the market with involvement in transactions of ever greater magnitude – in the year's highlight a team represented an oil company in the \$7 billion disposal of its assets in April 2007. The practice has also been growing in size, recruiting two new associates in the last year.

A substantial part of the firm's corporate and M&A work is in the energy sector, where the lawyers have been busy advising on some of the industry's key deals, including the multi-billion-dollar swap of assets between Gazprom and BASF, and the BP Sakhalin V and Sakhalin IV joint ventures. Within the past year the team has also advised international insurance companies on their acquisitions of Russian insurance companies.

The practice also advised Reef in two-real estate acquisitions with a combined value of more than \$200 million, as well as representing Baker Hughes in the \$7.5 million acquisition of Orenburggeofizika.

Within the past year the team started advising private-equity funds on their investments in Russian companies. At the time of

writing the practice was working on the acquisition of a Russian logistics company by an international private-equity fund and investments in the retail business by a Russian private-equity fund.

Leading lawyers

David Cranfield

Salans

Salans is expanding fast – in the last year the corporate team alone increased by seven lawyers. “Salans is doing some good work”, said one competitor, “they are certainly heading in the right direction.” Over the last year the corporate team has appeared in heavy-weight transactions in all the most active industrial sectors.

In the energy sector, for instance, a team was appointed by Enineftegas, a consortium comprising Enel (40%) and Eni (60%), to see it through its \$5.83 billion acquisition of a group of gas assets formerly owned by Yukos. These included Arcticgaz, Urengoil and Neftegaztehnologia, which own licences for the exploration and production of hydrocarbons in the Yamal Nenets region, the world’s largest gas producing area.

On the financial services side, Salans’s most significant involvement came with its representation of Rosgosstrakh Group in the sale of CityMortgage Bank. This was the first move by Morgan Stanley, the buyer, into the rapidly expanding Russian retail mortgage market.

In pharmaceuticals, the practice aided Makiz-Pharma, a Russian manufacturer of pharmaceuticals, with regard to the structuring of a joint venture with Polpharma, a Polish pharmaceutical company, with a subsequent buyout after five years and with the establishment of two joint ventures in the US. This \$100 million transaction is one of the largest deals in Russia’s pharmaceuticals industry.

The practice has also taken on private-equity instructions, advising Baring Vostok Private Equity Fund III (BVPEF III) on its \$60 million acquisition of Westdia Media, a Russian outdoor advertising group.

Leading lawyers

Mathieu Fabre-Magnan

Skadden Arps Slate Meagher & Flom

Pranav Trivedi heads a sound corporate practice which has been consolidating its tier two position after promotion last year.

Skadden’s sound reputation is the reason why many high-profile clients are choosing

the firm to provide it with counsel. Act III Investors engaged the firm to advise it on the \$550 million sale of Independent Network Television Holding, the holding company of the TV3 Russian television network, to Prof-Media Management. Joint Stock Bank Orgresbank also sought guidance from the practice in relation to its \$314 million sale of a 75% stake to Nordea Bank. Similarly private-equity firm Millhouse called in the team to oversee its acquisition of an indirect 41% interest in steel producer Evraz Group. And Citigroup Global Markets was keen to employ Skadden’s expertise in its role as financial adviser to Bank Austria Creditanstalt in the \$1.3 billion acquisition of a controlling stake in International Moscow Bank from Bayerische Hypo- und Vereinsbank.

Leading lawyers

Pranav Trivedi

Allen & Overy Legal Services

Allen & Overy’s corporate practice has had a productive year completing significant transactions in key sectors in Russia and other Commonwealth of Independent States countries with a total deal volume of more than \$5 billion. The practice has been growing to accommodate the increase in work, taking on four new associates. Notably the Moscow office won the role of legal adviser to Russian steel producer Severstal in its bid to merge with Arcelor.

The highly rated and prolific Edwin Tham also led the team in a number of other stand-out deals. The practice acted for UniCredit Group on the \$395 million acquisition of a 23% stake in International Moscow Bank from Nordea and a 19.77% stake in the same bank from VTB Bank; for JPMorgan Chase in connection with its acquisition of a strategic stake in the Bank of Moscow; and again for UniCredit Group together with Bank Austria Creditanstalt in connection with the acquisition of the institutional business of Aton, a Russian securities brokerage. In the energy sector the firm represented Oil and Natural Gas Corporation of India and Itera in their bid to acquire Udmurtneft from TNK-BP.

Leading lawyers

Edwin Tham

Cleary Gottlieb Steen & Hamilton

Cleary Gottlieb has continued to prosper from the booming M&A market. In its most eye-catching contribution, the practice gave counsel to Gazprom in its April 2007 purchase option and joint-venture agreements

with Eni and Enel, relating to \$5.83 billion of gas and oil assets purchased by Eni and Enel from the bankrupt Yukos Oil Company. Another high-profile deal saw the Cleary team advise Evraz Group in its \$2.3 billion acquisition of Oregon Steel Mills in January 2007, the largest US acquisition to date by a Russian company.

Among the year’s other highlights, the practice gave counsel to Promsvyazbank and its principal shareholders with respect to the \$95 million acquisition by Commerzbank of a 15% stake in December 2006. Evraz Group brought the team in to oversee its \$110 million acquisition of a majority stake in Strategic Minerals Corporation in August 2006. Finally, the firm advised Comcor – which operates Moscow’s leading fibre optic network, provides data-transmission services, and runs a cable TV network – and its selling shareholders in a \$2.5 billion joint venture with Renova, which was completed in June 2006.

Leading lawyers

Scott Senecal

Latham & Watkins

Although competitors report that they tend not to see Latham & Watkins with a great deal of regularity, the practice continues to make its presence felt in the market, advising on a number of the jurisdiction’s more substantial transactions. The firm’s representation of Comstar-United TeleSystems in its €1.3 billion acquisition of a blocking stake of 25% plus one share in Telecommunication Investment Joint Stock Company (Svyazinvest) from Mustcom in December 2006 certainly showed the firm up on the radar. The practice also caught the market’s attention advising Sistema, the largest private-sector consumer services company in Russia and the region, on the \$750 million sale of a 49.17% stake in Rosno to Allianz, which already owned 47.36% of the company.

Latham also acted for Sitronics in its €120 million acquisition of Intracom Telecom, a Greek electronics company, and assisted Sistema Mass Media, a media subsidiary of AFK Sistema, in connection with its \$146 million acquisition of UCN, a pay TV and broadband service provider.

Leading lawyers

Christopher Allan

Project finance**Recommended firms****Tier 1**

Freshfields Bruckhaus Deringer
Linklaters
White & Case

Tier 2

Allen & Overy
Clifford Chance
LeBoeuf Lamb Greene & MacRae

Tier 3

Akin Gump Strauss Hauer & Feld
CMS Cameron McKenna
Denton Wilde Sapte
Herbert Smith

Tier 4

Chadbourne & Parke
Cleary Gottlieb Steen & Hamilton
Debevoise & Plimpton
Gide Loyrette Nouel
Norton Rose
Salans

Infrastructure projects have had a new lease of life with the implementation of the 2005 concessions law, and public-private partnerships (PPPs) are the flavour of the day.

Government support for PPPs is growing – in the transport sector in particular – and banks are keen to get in on the action. Four consortia are bidding in the Western High Speed Diameter project, the first under the new concession law. Other road projects are in progress and seaports, airports and multi-model projects implemented as concessions are now under discussion. There has also been talk about Russia's railways and although no PPP project is imminent in this sector it is likely that such work will materialize in the next two years.

Meanwhile the increased state takeover of natural resources has meant many projects in this area are delayed or have a question mark over them, and there have been fewer large-scale oil and gas projects. But the long-awaited break-up of the electricity monopoly is happening and there are increasing opportunities for acquisitions and financing of power projects. Some smaller projects are now structured by the government under the buy-own-operate method, so there is no automatic transfer back to the state when they are completed.

Freshfields Bruckhaus Deringer

The widely respected Michael Schwartz, described as “a good lawyer [who] knows Russian law well”, leads a capable team of more than 20 lawyers who are working on project finance.

The practice has tapped into a rich vein of work in the transport sector, most notably advising the developer of the Western High Speed Diameter project, a key concession in road infrastructure in St Petersburg and the first road concession in Russia. Expected investment in the project is placed at \$3.1 billion.

A team has also been giving counsel on the Orlovsky Tunnel project, a concession project also in St Petersburg involving the construction of a toll road tunnel under the Neva river. The development is expected to cost \$970 million. Meanwhile Linklaters has been assisting the Russian Ministry of Transport with a feasibility study into the construction of the first toll motorway between Moscow and St Petersburg, which would be a very significant concession under the new law. If it goes ahead, investment in the project is expected to exceed \$7 billion.

The firm is also profiting from the liberalization of the energy sector and has been advising European clients on structuring investment projects for construction and operation of the Kurianovo and Luberetskaya mini-heat power plants and several other power plants in Moscow.

Leading lawyers

Michael Schwartz

Linklaters

Daniel Tyrer, described by peers as “a great chap” and “extremely competent and agreeable”, leads an active project finance team. Dmitry Dobatkin is also well regarded by peers and clients. “He is a well known guy and always has a key solution for the client,” said one. “He is practical and has a very effective approach.” The practice has also been taking advantage of the heightened investment in transport infrastructure to an extent, advising the lenders on the financing of the construction of Sheremetyevo Airport's Terminal 2 for instance, but the lion's share of its work has come from in the energy sector.

Among the firm's many impressive mandates, it has been advising Rosneft on the structuring and development of the Tuapse upstream oilfield in the Black Sea as well as counselling BNP Paribas, Citibank and Société Générale on the project financing of KazMunayGas's Kashagan oil project. In work relating to liquefied natural gas (LNG) the practice has had standout mandates from Repsol, which it has advised on the proposed development of and participation in the \$5 billion Yamal LNG project as well as on its proposed participation in Tambey LNG. The firm also had a notable instruction from Total, which it has counselled on its proposed par-

ticipation in the Shtokman gas field and LNG project.

In another highlight Gazprom sought guidance from Linklaters in relation to the \$6 billion 1,189km North European Gas Pipeline project which will run from Russia to Germany under the Baltic Sea. The firm has also been appointed by an Asian power company to counsel it on a number of potential power projects in Russia, while a European power company also instructed the firm in relation to a proposed investment with Gazprom in a coal-bed methane project in western Siberia. Finally, the practice is advising a sponsor for the Nizhnevartovsk power project in Russia's first independent power project financing.

Leading lawyers

Daniel Tyrer

White & Case

A talented project finance line-up at White & Case is headed by “the number one lawyer” Marc Polonsky. According to one rival: “Marc is known as a lawyer who always has a practical approach. He has a good Russian team that works well together.” Since Irina Nesvetova was promoted to partner in June 2006 this team consists of four partners and nine associates who are advising multilateral financial institutions, commercial banks and borrowers on a number of large-scale project financing transactions.

In one-high profile project the practice has been advising BNP Paribas on the \$500 million refinancing of the construction of the Rusal Khakas aluminium smelter, the first aluminium production facility to be built in Russia in the past 20 years and the longest-tenor project financing in Russia to date. *Infrastructure Journal* called the project a “rarely-seen ‘pure’ project financing in the Russian market”. The proceeds of the financing have been used to repay a Sberbank bridge loan used by the smelter to finance certain construction costs.

White & Case has also provided counsel to Gazprombank on the potential \$650 million project financing of a refinery construction in Mongolia. In another highlight the firm advised the European Bank for Reconstruction & Development and Nordic Investment Bank on the restructuring of the €190 million project financing, granted in 2003, of the South West Waste Water Treatment Plant project in St Petersburg, one of the most important environmental projects in the Gulf of Finland.

Leading lawyers

Marc Polonsky

Clifford Chance

Clifford Chance is another firm that is said to be “really doing the work” in Russian project finance. The firm is particularly active in the energy sector where it is advising on a couple of large oil project financings and the construction of a power plant while also working on a number of greenfield projects. The team is also working with regional governments on several PPP projects.

Leading lawyers

Logan Wright

Gide Loyrette Nouel

Gide enters the project finance rankings for the first time this year after a number of recommendations from clients and peers. One rival said: “They are very active in the water sector and are trying to position themselves in the transport sector.”

Tuvia Borok, has been based permanently in Moscow since April 2007 and the banking and finance team now consists of six lawyers led by Margaret Boswell. And it has had a good year with the number of finance transactions on which it has advised almost doubling, with a total deal value exceeding \$2 billion.

The team advised on the largest Russian steel industry finance transaction to date, with the \$525 financing to EvrazHolding arranged by Natexis Banques Populaires, Bank of Tokyo Mitsubishi-UFJ, Sumitomo Bank and BNP Paribas. EvrazHolding, a Russian steel producer, used the financing to acquire coal mining assets in Russia, including Raspadskaya, a Russian coal mine.

The firm also counselled EBRD on its R6.3 billion (€181 million) financing of hydropower plant operator HydroOGK to finance the refurbishment of several units of the Volga-Kama hydro cascade. This was the largest EBRD-issued rouble financing and the tenor of the loan – 14 years – is the longest for a Russian deal.

In another notable deal the Gide team advised EBRD and ABN Amro on the \$186 million limited-recourse financing of Yug Rusi, an agriculture company, secured by assignment of sales contracts, pledge of inventory and mortgage of immovable assets.

Salans

Over the last year three new associates have joined Salans’s expanding banking and finance practice, which takes care of the firm’s project finance work.

The team recently advised lenders EBRD and Nordic Investment Bank on their co-financing of the Northern Incinerator Project in St Petersburg, involving two senior loans,

of €43.8 million and €9 million respectively, to Vodokanal, the St Petersburg water company, for the co-financing of a €90.4 million design-and-build contract for a sludge incinerator.