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Assignment of receivables as viewed by Russian courts: a significant obstacle to securitization

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White & Case
Moscow

Securitization is an attractive mechanism for raising funds through the refinancing of existing assets or using future receivables as collateral. However, despite the international recognition of the advantages of securitization, this instrument is still not widely used by the Russian financial markets. The most common reason cited for the lack of securitization in Russia is the undeveloped Russian legal framework and the restrictive applicable court practice. One of the major legal obstacles to securitization is the long-standing court practice on the assignability of contractual rights (especially future rights), which raises legal risks of using future receivables for securitization. However, despite these risks we note that at least one cross-border securitization of future receivables was successfully completed in the spring of 2006.

In general terms, under Russian conflict-of-law rules the ability to assign receivables (including those involved in a securitization transaction) is governed by the law governing such receivables. Thus, the question of whether it is possible to assign Russian law-governed receivables will be governed by Russian law. Furthermore, under Russian law only those receivables that are eligible to be assigned can be pledged. Arguably, the same restriction applies to other security arrangements that envisage the transfer of future receivables.

A plain reading of the Russian Civil Code suggests the conclusion that almost any right (including the right to payment) arising from civil law obligations and belonging to a concrete creditor (the so-called *subjective right under an obligation*) is assignable. However, in practice, the positions taken by Russian courts and the views expressed by some Russian legal scholars significantly limit the types of receivables eligible for assignment (and, potentially, for securitization).

Rights eligible for assignment (the Russian courts' approach)

Until recently, Russian courts maintained the conservative position that a creditor's rights under a contract can only be assigned in full (but not in part), and only together with a transfer of all its corresponding obligations under the relevant contract. Under this view, the assignee should fully take the place of the original party under a contract rather than simply acquiring the rights assigned to it (for example, the assignee of payment rights under an equipment lease had to be prepared not simply to receive lease payments but also to continue to furnish the leased

equipment to the lessee and to be responsible for repairs, insurance and so on). This conservative approach, which obviously does not fit into the general framework and concept of securitization, has been supported by some Russian legal scholars.

In an attempt to liberalize this conservative position, the Supreme Commercial Court of the Russian Federation (the Supreme Court) clarified, in a number of decisions, that a creditor can assign its rights either fully or partially, provided it proves that it has (fully or partially, as applicable) fulfilled its obligations under the relevant contract and remains a creditor thereunder.

Furthermore, the Supreme Court has supported a partial assignment of rights without the transfer of corresponding obligations under continuing contracts (for example, gas or electricity supply contracts) provided the rights being assigned: (i) are uncontested; (ii) arose before the assignment; and (iii) are not conditional upon any counter-performance by the assignor.

However, in affirming the assignability of payment rights under these conditions, the Supreme Court did not succeed in significantly widening the scope of rights capable of being assigned under Russian law. In fact, the Supreme Court's rulings limited the assignability of rights only to situations in which it is proven beyond doubt that each of the conditions above is met.

Assignment of future flows

Although in international markets future receivables are frequently assigned in securitizations, existing court practice in Russia does not favor the assignment of rights to future receivables. Such court practice is based on a strict application of the conditions set out by the Supreme Court, rather than on any prohibition in applicable laws or regulations.

Russian legal scholars distinguish rights under future contracts and future rights under existing contracts. It is generally agreed among authoritative scholars that future rights under existing contracts which are conditional only on the passage of time are assignable. For example, rights to repayments of a loan that will arise in the future as repayment comes due are assignable.

The assignability of rights under future contracts is disputable. Some arguments are being made in support of the possibility of assignment of such rights, while the prevailing view (which is supported by courts and some scholars) still is that rights under future contracts cannot be assigned, mainly because the scope of the rights being assigned cannot be fully identified as of the moment of transfer. In particular, some courts have taken the view that a right being assigned should be identified by reference to a specific contract from which such right arose.

We note that Russian legislation does not specifically prohibit the assignment of future receivables. In fact, Russian law directly permits:

(i) the assignment of future receivables in factoring operations; and (ii) the pledge of future property rights (although there is a view, expressed by some scholars, that the respective provisions of Russian legislation should also be interpreted as permitting the assignment (pledge) only of future rights conditioned solely on the passage of time). The direct reference to the pledge of future property rights in Russian law has provided comfort for at least one successful cross-border securitization of such future rights, the securitization of diversified payment rights by Alfa Bank in March 2006. Several similar transactions are in the pipeline at the time of writing.

Recent court practice also demonstrates that, in the absence of a uniform approach among the Russian courts and scholars as to how future receivables should be identified, alternative techniques of assignment are being used successfully. We are aware of a court precedent in which a court qualified an assignment of rights under a future contract to be valid provided that the assignment agreement comes into force only after the conclusion of the underlying future contract.

In summary, while Russian courts and legal scholars are slowly softening their conservative positions on the assignment of rights, the evolution of securitization in Russia is being led by market demand for a liberalization of the prevailing doctrine on the ability to collateralize various types of future receivables.

Banking

Recommended firms

Tier 1

Allen & Overy Legal Services
Clifford Chance
Linklaters
White & Case

Tier 2

CGS&H Limited Liability Company
Freshfields Bruckhaus Deringer
Herbert Smith CIS Legal Services

Tier 3

Baker & McKenzie
Chadbourne & Parke
Denton Wilde Sapte
LeBoeuf Lamb Greene & MacRae

Tier 4

Akin Gump Strauss Hauer & Feld
CMS Cameron McKenna
Debevoise & Plimpton
Gide Loyrette Nouel
Latham & Watkins
Lovells
Norton Rose
Salans
Skadden Arps Slate Meagher & Flom

Tier 5

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

Allen & Overy Legal Services

Allen & Overy Legal Services keeps its place in the top tier after another impressive year. In the past 12 months the firm has recruited Viatcheslav Khorovsky from Lovells as a consultant, as well as three associates, three junior associates and a trainee. Rivals firms were complimentary about both leading lawyers, describing Irina Mashlenko as “fantastic” and Peter Timchur as “an impressive guy” who “you’d be happy to see working on the other side of the table.”

Both these lawyers were involved in advising ABN Amro, Dresdner Kleinwort Wasserstein, Citigroup and Credit Suisse First Boston in a \$13.1 billion syndicated facility for Gazprom, the largest ever syndicated loan for a Russian company. Timchur also led a team that acted for ABM Amro and Barclays Capital as lead arrangers of a \$2 billion syndicated facility for state oil company Rosneft, and for a range of banks on a further \$2 billion pre-export facility for Rosneft.

Apart from financing oil and gas companies, Dmitry Shiryayev, the head of Russian banking, led a team that acted for a panel of banks, including Alfa-Bank, Amsterdam trade bank, Commerzbank and International Moscow Bank, on a \$350 million syndicated loan facility for Rolf, a leading Russian automotive distributor group.

Leading lawyers

Irina Mashlenko
Peter Timchur

Key contact partners

Irina Mashlenko
Dmitry Shiryayev
Peter Timchur

Clifford Chance

Leading lawyer Michael Cuthbert, described by one peer as “an excellent chap and a very smart guy” advised HSBC on an unsecured syndicated \$1 billion loan to Sberbank, Russia’s biggest bank. This was the largest syndicated credit in the history of Russian banks. Victoria Botkevicha, who was picked out by the market as a rising star to watch, also worked on the deal. Among the rest of the team, Logan Wright, who was made up to partner this year, is also highly rated by the market.

The firm advised ING Bank on a \$425 million pre-export finance facility to Sual, in which ING was lead arranger, with BNP Paribas and Citibank as syndicated lenders. The team also advised Moscow Narodny Bank on a \$25 million medium-term facility to Russian Coal Company, secured using export receivables. Finally the firm advised Brunswick rail leasing on a \$350 million financing of the purchase of rail cars.

Arthur Iliev heads the financial services department. This year the team advised ABN Amro, BHF-Bank, Morgan Stanley, UBS and Standard and Poor’s, among others, on rouble and US dollar accounts, reporting, transparency and disclosure requirements, raising subordinated capital and Russian American depositary receipts trading.

Leading lawyers

Michael Cuthbert
Arthur Iliev
Logan Wright

Key contact partners

Arthur Iliev
Logan Wright

Linklaters

Linklaters won the award for Russian law firm of the year at the *IFLR* European awards 2006, and the firm's all-round strength was evident in another impressive year of banking work. Michael Bott heads the Moscow practice and was widely praised for his expertise, along with consultant Mark Kirsh.

Bott led the Linklaters team that worked for Gazprom, opposite Allen & Overy, on the \$13.1 billion dollar syndicated loan to fund the acquisition of Sibneft. This was the largest ever financing in Russia.

Senior Russian banking lawyer Dmitry Sushev led the lawyers that worked on the second largest financing in Russia, this time advising ABN Amro, Dresdner Bank, JP Morgan and Morgan Stanley on their \$7.5 billion acquisition finance facility for Rosneftgaz, secured by pledges over shares in Rosneft. The firm also advised Deutsche Bank on its financing of the sale of medical equipment from the US to the Samara region, a deal which saw US government agency OPIC provide political risk and other insurance.

Among other highlights of a busy year, Bott, Dmitry Sushev, Elena Mikhailova and Elena Perepelkina advised ABN Amro, Dresdner Bank and Deutsche Bank as arrangers of the debut \$500 million syndicated loan for Russia's state bank, Vnesheconombank, and acted for the mandated lead arrangers of the debut \$600 million syndicated loan for Mobile TeleSystems, the largest telecommunications company in Russia.

Leading lawyer

Michael Bott

Key contact partner

Michael Bott

White & Case

White & Case boasts one of the largest banking practices in Russia with two partners, 12 associates and one of-counsel. Hugh Verrier heads the practice, ably assisted at partner level by Maxim Levinson, and a sound reputation in the market enables it to keep its top-tier placing this year.

The firm has been advising the International Finance Corporation since 1995, and this year advised it on a number of senior loans, subordinated loans and equity investments to Russian banks and other companies, totaling over \$400 million.

The firm also has a solid relationship with the European Bank for Reconstruction and Development (EBRD), and this year worked on a number of financings to promote small- and medium-sized business in Russia, including loans to Transcapitalbank, Moscow Credit Bank, and Absolut Bank and equity investment in Toyota Motor Manufacturing Russia.

Elsewhere, partner Eric Mikhailov and counsel Maya Melnikas advised Capital Partners, a foreign investment fund, on the \$130 million financing of a 210,000m² international-class warehouse and logistics facility from Eurohypo. The transaction marked the largest refinancing in Russian commercial real estate history.

Leading lawyer

Hugh Verrier

Key contact partner

Hugh Verrier

CGS&H Limited Liability Company

CGS&H Limited Liability Company, US firm Cleary Gottlieb Steen & Hamilton's Russian operation, moves up a tier this year after a strong showing on some of the year's high-profile deals, and upon advice from the market that the firm's presence in

banking is increasing. Scott Senecal is also newly nominated as a leading lawyer, coming in for much praise from peers and clients. In one stand-out deal, the firm represented the Federal Grid Company of Russia on a RUR5 billion (\$180 million) floating rate facility, its first international borrowing, provided by the EBRD. This was the EBRD's first floating-rate rouble loan.

Another EBRD deal saw Cleary Gottlieb advised Mosenergo, Russia's largest power generating company, in an RUR7.2 billion floating rate rouble facility. Senecal advised Sperbank, Russia's state bank, in its November 2005 \$1 billion syndicated loan, the largest syndicated loan to date by a Russian financial institution.

The firm also worked opposite Linklaters in advising Vnesheconombank in its \$500 million syndicated loan agreement. George Bustin, a partner in the firm's Brussels office, led the team on this deal along with Russian lawyers Vladimir Frolov, Laura Black and Yulia Solomakhina.

Leading lawyer

Scott Senecal

Key contact partner

Scott Senecal

Freshfields Bruckhaus Deringer

It has been a year of personnel change for Freshfields Bruckhaus Deringer's banking practice – a year that saw Tobias Mueller-Deku relocate to the Munich office, but saw Anna Proschina recruited from CMS Cameron McKenna. Mikhail Loktionov heads the department; he advised American Express on the establishment of its subsidiary in Russia, which received its licence in February 2006.

Loktionov also advised Rosbank on the sale of 97.3% of its stake in Monchebank to DnB Nor, a Norwegian financial services company. Other deals included advising Rolf and Rothschild on a \$350 million syndicated loan facility, and acting for Russian Railways on a \$600 million unsecured syndicated loan. And associate Karen Young worked with Loktionov on a dual syndicated loan for RUR1 billion (\$37 million) and \$50 million granted to pharmacy chain 36.6.

Leading lawyer

Mikhail Loktionov

Key contact partner

Mikhail Loktionov

Herbert Smith CIS Legal Services

Herbert Smith has a smaller office than many of its rivals, but maintains a reputation for high-quality work that is helped by the outstanding reputation of John Balsdon. Balsdon has been in Moscow "since the year dot" and is still "the best guy in town", according to clients.

The firm does a lot of finance work in deals related to the TNK-BP joint venture, including advising Calyon, ABN Amro, BNP Paribas and Citibank in connection with a \$1.8 billion facility to TNK-BP Finance, and acting for ABN Amro and ING in connection with a restructuring of \$1 billion and \$400 million facilities to TNK, granted as a result of the TNK-BP group onshore corporate reorganization.

The firm also advised BNP Paribas in connection with a \$100 million secured acquisition finance facility to West Siberian Resources and in connection with a \$300 million secured facility to a group of borrowers within the Rusneft group.

Other banks that have received Herbert Smith's excellent banking advice include Barclays Capital, Bayerische Hypo- und Vereinsbank, Citigroup, Commerzbank, Deutsche Bank,

Dresdner Kleinwort Wasserstein, the EBRD, HSBC, Japan Bank for International Cooperation and Société Générale.

Leading lawyer

John Balsdon

Key contact partner

John Balsdon

Baker & McKenzie

Baker & McKenzie hired two associates this year to take the combined total of the Moscow and St Petersburg offices to two partners (one of who is UK-qualified) and five associates. A solid year saw David Scott head a team that advised ING Bank on its RUR2.775 million (\$103 million) bilateral loan facility to Russian Standard Bank, and Vladimir Dragunov act for Transneftproduct on a \$753 million loan facility from Vneshtorgbank. This was the first time a facility of such size had been arranged on the domestic market.

The firm also acted as multi-jurisdictional counsel to BNP Paribas, the mandated lead arranger in relation to a \$51 million borrowing base facility for Pechoraneftegas, a leading Russian oil and gas producer.

On the regulatory side, meanwhile, Maxim Gutbrod has been advising KfW Bankengruppe on securitization and banking regulatory legislation, and providing guidance to the Russian Duma and Association of Russian Banks on netting, gambling, securitization and other legislation. Other clients of the firm include Dresdner Bank and BNP Paribas.

Key contact partners

Vladimir Dragunov

Maxim Gutbrod

David Scott

Other notable firms

Denton Wilde Sapte moves up a tier this year after a strong performance in the past 12 months. Clients include ING, EBRD, Commerzbank, BNP Paribas and ABN Amro, the latter of which the firm advised on a \$675 million secured syndicated aluminium pre-export loan to Rual Trade that closed in September 2005. The firm also acted for BNP Paribas, Commerzbank and Standard Bank and KBC Bank on three \$150 million loans. Doran Doeh, Greg Potts and Alexander Barmin are the three contact partners.

Gide Loyrette Nouel also moves up a tier after winning some impressive mandates, including advising Evraz Holding on a \$200 million financing to buy the Czech company Vitkovice steel, where it worked opposite White & Case. Partner Margaret Boswell led both teams; other clients include Société Générale and the EBRD.

CMS Cameron McKenna recruited two associates to the banking practice this year, including department head Jared Grub. The firm's stand-out deal this year was its role advising Eurohypo on a \$130 million loan to refinance a logistics centre in the Moscow region.

LeBoeuf Lamb Greene & MacRae acted as lead counsel to Vneshtorgbank, Russia's second largest bank, in its \$1 billion secured financing for the acquisition of a major Russian industrial company. At the time of writing the firm was assisting Citibank with the setting up and implementation of a new OPIC-guaranteed lending programme for Russia and the CIS region.

Vassily Rudomino heads the banking practice at rising Russian firm **Alrud**. The firm has had a good year, advising Raiffeisen Bank's Hungarian branch on the provision of a loan to a Russian republic; it has also established a good relationship with Slaughter and May, which should bode well for the future. **Monastyrsky Zyuba Stepanov & Partners** advised Russian Standard Bank on its \$300 million settlement with BNP Paribas last summer. The firm has two partners and four associates in its financial services department and other clients include JP Morgan, Banco Bilbao and the International Investment Bank.

Debt capital markets

Recommended firms

Tier 1

CGS&H Limited Liability Company

Linklaters

Tier 2

Allen & Overy Legal Services

Baker & McKenzie

Clifford Chance

Skadden Arps Slate Meagher & Flom

White & Case

Tier 3

Debevoise & Plimpton

Freshfields Bruckhaus Deringer

Latham & Watkins

LeBoeuf Lamb Greene & MacRae

Tier 4

Liniya Prava

Lovells

Equity capital markets

Recommended firms

Tier 1

CGS&H Limited Liability Company

Latham & Watkins

Linklaters

Skadden Arps Slate Meagher & Flom

Tier 2

Clifford Chance

Debevoise & Plimpton

Freshfields Bruckhaus Deringer

LeBoeuf Lamb Greene & MacRae

Tier 3

Akin Gump Strauss Hauer & Feld

Allen & Overy Legal Services

White & Case

Tier 4

Andrey Goroditsky & Partners

Hogan & Hartson

Liniya Prava

Allen & Overy Legal Services

Leading lawyer Irina Mashlenko heads Allen & Overy's international capital markets department in Moscow. In the last year the firm has hired a number of associates from rival firms, including the consultant Viatcheslav Khorovsky from Lovells and Andrew Coddington from Baker & McKenzie. The firm now has two partners and six associates doing capital markets work.

Allen & Overy has done three large debt deals for banks this year. Mashlenko led the team that acted for Industry Construction in relation to the issue of \$300 million-worth of loan participation notes and \$400 million-worth of subordinated loan participation notes. In 2006 the firm also acted for borrower Absolut Bank in the issue of \$150 million of loan participation notes, and advised Moscow Narodny Bank and Raffeisen Bank Austria as lead arrangers in Russia's first residential-backed mortgage securitization.

In equity work, meanwhile, the firm represented RosBusinessConsulting, a leading internet consultancy and information provider, in relation to a level one American depositary receipts programme.

Leading lawyers

Irina Mashlenko
Peter Timchur

Key contact partner

Irina Mashlenko

Baker & McKenzie

Baker & McKenzie has maintained an impressive reputation in debt capital markets and securitization work despite the retirement of partner Mitchell Gitin. The team recruited two associates in the past 12 months, and boasts the increasingly respected structured finance specialist Vladimir Dragunov.

David Scott represented Dresdner Kleinwort Wasserstein as lead manager of an \$60 million issue of loan participation notes to the Moscow Bank for Reconstruction and Development. The firm acted for the same bank, along with ABN Amro, in a \$250 million deal involving loan participation notes issued by RHSB capital to finance a loan to Russian Agricultural Bank. The notes were listed on the Irish Stock Exchange.

Away from Moscow, Baker & McKenzie advised Dresdner Kleinwort Wasserstein in a \$250 million loan to Syazinvestneftekhim, an investment company wholly owned by the republic of Tatarstan. This was the first eurobond offering to raise capital debt for a Russian region since 1998.

Dragunov heads the securitization and structured finance department, and advised the originators (CIT Finance and TransCreditBank) in the landmark \$500 million Red Arrow leasing receivables securitization. Dragunov also acted as transaction counsel on the first securitization of consumer receivables in Russia for Home Credit and Finance Bank. The €300 million deal received awards in the Deals and Innovations of the Year and Best Securitization of Emerging Market Assets categories from Euromoney's *Structured Finance International* magazine.

In another first, Baker & McKenzie represented the arrangers as Russian counsel in structuring and executing a \$350 million diversified payment rights (DPR) securitization for Alfa Bank. This was the first DPR deal done in Russia and was structured as a secured loan. Finally, the firm advised HVB Group as joint-lead managers of the structuring and execution of a €250 million consumer receivables securitization for Russian Standard Bank.

Leading lawyer

Vladimir Dragunov

Key contact partners

Vladimir Dragunov
David Scott

CGS&H Limited Liability Company

Cleary Gottlieb Steen and Hamilton's Russian operation has had another strong year in both debt and equity work. Partner Scott Senecal heads the Moscow office and he is supported from London by Daniel Braverman, described by one rival lawyer as "the king". He then went on to add "you've got to respect Cleary a great deal".

In debt capital markets the firm acted as counsel to Vneshtorgbank in its Regulation S offering of \$750 million loan participation notes. Barclays Bank, Deutsche Bank, HSBC Bank and JP Morgan Securities acted as joint-lead managers on the deal, which was the first offering by a Russian bank intended to qualify as subordinated Tier II capital. The deal closed in February 2005; in the same month the firm acted for state-owned Sberbank in a Regulation S offering of \$1 billion loan participation notes.

The firm wins frequent instructions from oil and gas companies, and in July last year the firm was counsel to Gazprom and Blue Stream Pipeline Company in the Rule 144A/Regulation S offering of \$647 million loan participation notes and the Regulation S offering of \$1.22 billion loan participation notes. These were the first offerings of loan participation notes by a Russian company to be issued in accordance with the new EU prospectus directive. The firm also acted as counsel to Gazprom on its \$15 billion medium-term note programme, including a €1 billion drawdown under the programme in December 2005.

Cleary's all-round strength for equity work is shown by the fact that it is equally comfortable working for underwriters as it is working for issuers. At time of going to press, Braverman was working on the Rosneft initial public offering (IPO), likely to be the biggest IPO in London in 2006. Earlier in the year the firm represented the Evraz Group, one of the world's largest vertically-integrated steel and mining businesses, in relation to its \$422 million IPO on the London Stock Exchange, including a Rule 144A offering in the US, of 29.1 million global depositary receipts. This was the first London IPO by a Russian metals company.

Leading lawyers

Daniel Braverman
Scott Senecal

Key contact partners

Daniel Braverman
Scott Senecal

Clifford Chance

Clifford Chance retains a presence on the panels of many of the top banks and has the respect of lawyers and clients for the excellence of its capital markets work. On the debt side the firm works for a wide range of banks, and in the past year has advised ABN Amro as lead manager of the \$400 million Tier II Regulation S eurobond, acted for Home Credit and Finance Bank on its \$275 million eurobond, which was underwritten by ING Financial Markets and Merrill Lynch International, represented MDM Bank as lead manager of a \$200 million eurobond offering by Nizhnekamskneftekhim, and advised Deutsche Bank on a \$175 million debut eurobond offering by Ak Bars Bank. In an indication of the high esteem the firm is held, it advised Standard and Poor's on a rating of the issue \$1.25 billion 7.201% notes by Gazprom International.

Clifford Chance is one of the few firms pioneering securitization work in Russia, which is increasingly becoming a hotbed for such transactions. Among the year's highlights, Arthur Iliev and William Knowles represented Moscow Narodny Bank and Greenwich Financial Services as joint lead managers on the securitization of the auto loan portfolio originated by Russian bank Soyuz. The team also advised Russian Standard Bank on its €300 million true-sale securitization of a portfolio of rouble-denominated consumer loans, the asset-backed notes being issued via a special purpose vehicle incorporated in Luxembourg.

Michael Cuthbert heads the firm's equity practice, which is making a mark in the expanding domestic IPO market. In a \$214 million deal the firm advised Russian supermarket chain Sedmoi Kontinent on its IPO of shares in Russia and internationally, under Regulation S on the RTS stock exchange. The firm also advised United Financial Group on the IPOs of Severstal Auto, a Russian vehicle manufacturer, and Lebedyansky, a juice maker. The offerings were worth \$135 million and \$151 million respectively.

Leading lawyers

Michael Cuthbert
Arthur Iliev

Key contact partners

Michael Cuthbert
Arthur Iliev
William Knowles

Debevoise & Plimpton

Debevoise & Plimpton has made a significant impact this year in equity capital markets work. Dmitri Nikiforov and Robert Manson from Moscow, and James Scoville and Vera Losonci in London, advised Novolipetsk Steel on its \$609 million IPO on the London Stock Exchange in December 2005.

The same team that worked on the Novolipetsk deal advised Norilsk Nickel on the spin-off of its gold assets and the creation of Polus Gold, a major international gold company with a market capitalization in excess of \$8 billion in January 2006. In March Alan Kartashkin then advised Jennington International, a wholly owned subsidiary of Polus Gold, in connection with the sale of a 20% interest in Gold Fields, valued in excess of \$2 billion. Other clients of the firm include Tavistock and UBS.

Key contact partners

Alan Kartashkin
Dmitry Nikiforov

Freshfields Bruckhaus Deringer

US- and UK-qualified partner Mikhail Loktionov heads the capital markets practice at Freshfields' Moscow office. He was based in London for five years before relocating in 2005, and is widely tipped to become a big name on the market.

The firm regularly advises Rosbank. Recent instructions from this key client included the first issue of \$150 million under its \$750 million euro medium-term note programme in July 2005, and working for the bank as lead manager on its \$100 million issue of credit-linked notes for the Nutritek Group. It also worked for Open Investments on a \$150 million issue of credit-linked notes, and advised HypoVereinsbank as the arranger on Home Credit and Finance Bank's €290 million securitization of a portfolio of rouble-denominated consumer loans.

In equity work, meanwhile, the firm advised Pyaterochka, the a rival supermarket chain to Sedmoi Kontinent, in its \$639 million IPO involving GDRs on the London Stock Exchange in May

2005, acted for Morgan Stanley, Credit Suisse First Boston and Renaissance Capital as underwriters of the June 2005 IPO of Evraz, on which the firm worked opposite Cleary Gottlieb, and represented Trader Classified Media on the IPO of its Russian and eastern European division, Trader Media East, in a \$422 million IPO. Most recently the firm advised Magnit, a leading Russian retailer, and its selling shareholders, on a \$368 million offering that involved a listing in Russia and a Regulation S offering.

Leading lawyer

Mikhail Loktionov

Key contact partner

Mikhail Loktionov

Latham & Watkins

Anya Goldin leads a 12-lawyer team in Latham & Watkins' Moscow office and is, in the words of one client, "an acknowledged market leader" in working for issuers in big-ticket Russian IPOs. She has a formidable reputation among fellow lawyers for her negotiating style, and a leading banker commented that she is: "very impressive, very committed to the market and to the client ... and a clever one, too".

After working for AFK Sistema on its landmark \$1.56 billion IPO in early 2005 the firm acted for subsidiary Comstar on its \$1.06 billion IPO in February 2006. Both deals involved the issuing of global depository receipts (GDRs) on the London stock exchange.

In proof that it is more than a one-client firm, Goldin also led the team that represented Novatek, the largest independent natural gas producer in the Russian Federation, on its \$966 million IPO in London. This was the first Russian IPO under the new EU Prospectus Directive, and was completed on a fast track four-month timetable. Latham's Moscow and London offices teamed up to advised Mechel and one of its controlling shareholders in a \$350 million secondary accelerated book-built offering of shares and GDRs and \$150 million of mandatory exchangeable notes, exchangeable for shares or GDRs, and the firm also advised Severstal Auto on its IPO.

Although Latham is best-known for equity work in Russia, the global strength and reputation of the firm's capital markets practice means that it is certainly a player on the debt side too. Among the year's highlights, the firm represented Sitronics, the technology arm of Sistema, on its Regulation S issue of \$200 million notes, which was listed on the London Stock Exchange. The joint-lead managers for the transaction were ABN Amro and Credit Suisse.

Leading lawyer

Anya Goldin

Key contact partners

Anya Goldin
Varun Gupta

LeBoeuf Lamb Greene & MacRae

Mark Banovich is, in the words of one banker, "doing an excellent job" as head of LeBoeuf Lamb Greene & MacRae's capital markets practice. The firm has worked on a range of equity deals this year, including as manager's counsel on the \$63 million offering of rights and shares by Eastern Property Holdings under Regulation S on the Swiss exchange.

Office managing partner Brian Zimble, who has been working in Moscow for 17 years, led a LeBoeuf team that advised Rambler Media, a Russian Internet portal and media company, on its \$40 million IPO on London's alternative investment market (Aim).

The firm has also acted as depositary counsel to Deutsche Bank Trust Company Americas on the Novatek and Novolipetsk Rule 144A/Regulation S GDR programmes, advised Severstal Auto on a Regulation S GDR programme, and won roles to work on the Comstar IPO and on a \$1 billion offering of Mechel GDRs.

The firm also acts as issuer's counsel, working for the Pharmacy Chain 36.6 on its sponsored GDR programme and with the bank of New York advising North West Telecom on its level one American depositary receipt programme. Most recently the firm served as issuer's counsel to Veropharm on its \$140 million IPO, which closed in May 2006. Hogan & Hartson worked for Troika Dialog, the sole bookrunner.

Leading lawyer

Brian Zimbler

Key contact partners

Mark Banovich

Brian Zimbler

Liniya Prava

A new entrant into the capital markets rankings this year, Russian firm Liniya Prava is, in the words of one foreign law firm "under the skin of the Russian regulator" and for this reason regularly gives Russian law advice on some of the biggest equity deals to reach the market. The firm has two partners and seven associates in its equity practice.

Alexander Timofeev led the team that acted as Russian legal counsel in the Comstar deal, which included developing the IPO structure and schedule and performing due diligence. The firm also gave legal support to Russian car manufacturer Severstal, supermarket chain Sedmoi Kontinent and Open Investments in three public offerings that took place in 2006 and were worth RUR1.8 billion (\$66 million), RUR6.6 billion and \$90 million respectively.

In debt work the firm also does some work. For example, Julia Dementieva provided advice on non-convertible bond issuances to Gazprom, Home Credit and Finance Bank, Russian Railways and the Federal Grid Company of Unified Energy System. Other clients include Raiffeisenbank Austria and Vneshtorgbank.

The firm's close relationship with the regulator was no more evident than in its involvement in the drafting of four bylaws for the Federal Service for Financial Markets. The above bylaws, along with the federal Law on Mortgage-Backed Securities, create a legal framework for the issue of mortgage-backed bonds in Russia, thus contributing to the development of Russian domestic securitization.

Key contact partner

Andrey Novakovskiy

Linklaters

Clients and lawyers in the market were unanimous in praising the "great team" in place at Linklaters for capital markets. Moscow partner Dmitry Dobatkin was described as "a complete package", and led the teams that worked on some of the biggest deals of the year.

For example, Dobatkin, together with London partners Andrew Carmichael and Cecil Quillen, advised Deutsche Bank and MCC in Gazprom's \$1.87 billion issue of two loan participation notes, working across the table from Cleary Gottlieb. Both issues were listed on the Irish Stock Exchange using an EU Prospectus Directive-compliant prospectus – the first time that Gazprom has listed there and the first such listing by a Russian debt issuer.

The firm is not limited to working for natural resources companies, though, as evidenced by its advice to the EBRD on the placement and issue of RUR5 billion (\$185 million)-worth of certificated floating rate non-convertible bearer bonds on the Russian domestic market. The firm also advised Barclays Bank, Deutsche Bank London, HSBC Bank and JP Morgan Securities on the issue of \$750 million loan participation notes to finance a subordinated loan to Vneshtorgbank.

In equity capital markets, meanwhile, Linklaters has renowned expertise working for the underwriters. In the standout deal of the year so far, Linklaters advised Deutsche UFG, Goldman Sachs and Renaissance Capital on the \$1.06 billion Comstar IPO, which involved global depositary receipts (GDRs) issued on the London Stock Exchange. The firm also advised the underwriters on the \$609 million Novolipetsk Steel IPO and opposite Freshfields on the Pyaterochka IPO, which was worth \$598 million.

At the time of going to press Linklaters was working opposite Cleary Gottlieb on the Rosneft IPO, set to be worth around \$10 billion.

Leading lawyer

Dmitry Dobatkin

Key contact partners

Andrew Burge

Dmitry Dobatkin

Skadden Arps Slate Meagher & Flom

One banking client said that Skadden remained his bank's top choice for capital markets advice in Russia because it is one of two firms (the other being Linklaters) that has "a good ability to bring its London and Moscow teams together in a way that's very smooth". This compliment was backed up by other firms and rival lawyers, and ensures that the firm moves into the top tier for equity capital markets work. Alexei Kiyashko is one of two lawyers who head the Moscow office, and was widely praised for his expertise.

Star lawyer Pranav Trivedi is based in the firm's London office but splits his time evenly between London and Moscow. The firm worked for Morgan Stanley and other underwriters on the Trader Media East IPO in February 2006, and in the same month represented Razzulyai on its \$144 million IPO. The firm also worked opposite Latham & Watkins, acting for the underwriters in the \$966 million IPO of ordinary shares in oil and gas company Novatek.

The firm has also notched up an impressive list of debt mandates over the last 12 months, including advising Angara Mining on its \$50 million pre-IPO convertible bond offering, Bank of Moscow in its \$300 million offering of loan participation notes backed by a subordinated loan, and Bank of Moscow again in relation to its \$300 million Rule 144A/Regulation S offering of loan participation notes due 2010. The offering was underwritten by BNP Paribas and JP Morgan Securities.

Leading lawyers

Alexei Kiyashko

Pranav Trivedi

Key contact partner

Pranav Trivedi

White & Case

White & Case's practice in Russia has traditionally focused on debt and structured finance work, and this area of practice remains the firm's strength. In one highlight, leading lawyer Sven Krogus worked for Alfa Bank, one of Russia's largest privately owned Russian banks, on the securitization of its diversified payment rights in a \$350 million international bond issue.

The firm has worked for a range of banks, including advising Gazprombank on the issue of \$1 billion-worth of loan participation notes. The deal was eight times oversold, and was increased from \$500 million in response to strong investor demand. The firm also represented UBS Investment Bank as sole bookrunner and lead manager of the \$1 billion Regulation S issue of loan participation notes by UBS Luxembourg, and acted for Credit Suisse and ABN Amro on a \$200 million Regulation S bond issue by Russian IT and electronics business Sitronics.

The firm is looking to increase its presence in the expanding equity market, and the process started with work for juice maker Lebedyansky on its \$150 million domestic IPO, where the firm worked opposite Clifford Chance.

Leading lawyer

Sven Krogius

Key contact partner

Sven Krogius

Other notable firms

Although traditionally stronger on the corporate side, US firm **Akin Gump Strauss Hauer & Feld's** Russian office represented Urals Energy on the placing and admission to AIM of Urals Energy. The flotation raised £64 million (€92.5 million).

And fellow Americans **Hogan & Hartson** enter the equity rankings this year after a team led by Sergei Terentiev and Elizabeth Katkin advised Troika Dialog on the IPO of pharmaceutical chain 36.6, and advised a large Russian investment bank on the IPO of one of its holdings in the Russian and London stock exchanges.

Mergers and acquisitions

Recommended firms

Tier 1

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

Tier 2

Akin Gump Strauss Hauer & Feld
CGS&H Limited Liability Company
Baker & McKenzie
Clifford Chance
Salans
Skadden Arps Slate Meagher & Flom

Tier 3

Allen & Overy Legal Services
CMS Cameron McKenna
Debevoise & Plimpton
Herbert Smith CIS Legal Services
Latham & Watkins

Tier 4

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

Freshfields Bruckhaus Deringer

Freshfields has added three associates to its M&A team this year – Alexey Shishkov joined the firm from an oil company in Kazakhstan, and Sergey Diyachenko and Susanne Burkert-Vavilova relocated from the firm's London and Berlin offices. The Russian corporate practice now comprises four partners and 35 associates, and remains widely admired by rival firms and international and domestic financial institutions alike.

Having advised supermarket chain Pyaterochka on its public offering in May 2005, the firm served as counsel to the majority shareholders on a proposed takeover of rival chain Perekriostok. The \$1.1 billion deal was signed in April 2006, and will create the largest retailer in a fast-growing market. The firm's biggest deal involved advising the selling shareholder in its \$2 billion disposal of an equity stake in Lebedinsky mining and processing plant and Oskolsky electric steel works.

Freshfields also advised Russian national power monopoly Unified Energy Systems on the \$101.4 million acquisition of shares in Power Machines, a heavy equipment maker. The deal closed in December 2005. Among the year's other highlights, the firm advised Deutsche Bank on its \$400 takeover of leading Russian investment bank United Financial Group (UFG). Tobias Mueller-Deku, former Moscow partner who is now in the Berlin office, led the team on this deal along with Kirsten Floss, Maxim Pogrebnoy and Maria Zaitseva.

Leading lawyers

Jacky Baudon
Dmitry Surikov

Key contact partners

Jacky Baudon
Kirsten Floss
Dmitry Surikov

LeBoeuf Lamb Greene & MacRae

Oleg Berger is joint-head of LeBoeuf Lamb's M&A practice and is backed up by Brian Zimble, who has been in Moscow for over 17 years and who, in the word of one peer, "knows his stuff ... he has done everything and seen everything". The office does work that covers the whole CIS region.

Zimble led the team that advised Vimpel Communications on its 100% acquisitions of Unitel and Bakrie Uzbekistan, the second- and fourth-largest mobile phone operators in Uzbekistan, for \$200 million and \$60 million respectively. The firm also advised Rusal, the world's second largest producer of primary aluminium, on the formation of a joint-venture with OJSC GidroOGK, a Russian federal hydrogenerating holding company.

Oleg Berger advised Sperbank on its proposed acquisition of a bank in Kazakhstan. He also acted as counsel to InBev when it bought all voting and non-voting shares in Sun Interbrew. Vasilisa Strizh is another highly rated Moscow-based partner, and he worked for Fortnum on its acquisition of 24.83% of the shares in Kolenergo, a power company located in North-West Russia, from Norilsk Nickel, a Russian metals and mining company.

Zimble, meanwhile, was lead attorney advising the Chinese arm of China National Petroleum Corporation on its acquisition of the entire issued share capital of PetroKazakhstan for \$4.18 billion. He was also involved in the team that advised Russia Partners Company, an investment fund that acquired an equity stake in Epam Systems, a provider of software engineering outsourcing services in central and eastern Europe.

The firm has a solid presence in the booming real estate M&A market too, and was counsel to Eastern Property Holdings and

Jelmoli Holding on the \$150 million acquisition of eight regional companies via Hypercenter, to expand a network of hypermarkets in Russia.

Other corporate clients include Glencore International, Optima Telecom and Vneshtorgbank.

Leading lawyers

Oleg Berger
Brian Zimblar

Key contact partners

Oleg Berger
Vasilisa Strizh
Brian Zimblar

Linklaters

John Goodwin moved to Linklaters' Moscow office in May 2005 to head operations after the relocation of Dominic Sanders to London. Sanders continues to do Russia-related work, however, and was described by a rival lawyer as "very good in negotiations".

The firm remained particularly busy in the area of natural resources, advising BP on the TNK-BP reorganization, LUKOIL on a Bulgarian acquisition, Glencore on its investment in Russneft (Russia's tenth-largest oil company), Gold Fields on the hostile bid made by Harmony, with the support of Norilsk Nickel, and Gazprom on the Sibneft acquisition. Of these, the key deal was certainly Gazprom's \$13.09 billion acquisition of 72.6% of Sibneft, which was financed by a syndicated loan facility arranged by ABN Amro, Citigroup, CSFB, Dresdner Kleinwort Wasserstein, Goldman Sachs and Morgan Stanley. Denis Uvarov was Linklaters' lead Russian partner on the deal.

Another high-profile mandate saw the firm advise the RTL Group on its acquisition of a 30% shareholding in Ren TV, a Russian television broadcasting and production group. This was a highly politicized transaction, and one of only a handful by a foreign company in the Russian media sector.

Sanders led the team that advised Yum!, owner of the KFC, Pizza Hut and Taco Bell brands, on its alliance with Rosinter, owner of the popular Russian fast-food chain Rosticks. Yum! and Rosinter plan to build over 300 restaurants throughout the CIS over the next few years.

Sanders again led a team that advised Banca Intesa on its acquisition of 75% minus one share in KMB Bank, which focuses on small- and medium-sized businesses. The firm also advised Gold Fields on the successful defence of Harmony Gold's hostile takeover bid, in which Harmony obtained an irrevocable undertaking from Norilsk Nickel which, at 20%, was Gold Fields' largest single shareholder.

Leading lawyers

Dominic Sanders
Denis Uvarov

Key contact partners

John Goodwin
Denis Uvarov

White & Case

White & Case has expanded its corporate team with the addition of 11 associates since April 2005. This brings the total in the Russian corporate practice to five partners, one of-counsel and 26 associates. Igor Ostapets is rated particularly highly by the market, one client commenting that he has "the knowledge and the ability to analyse all details and all aspects of every situation".

TNK-BP remains a core client, and over the past year White & Case has been assisting the oil company on its \$18 billion restructuring to simplify its corporate structure. The work included advising on the accession of TNK, Sidanko, and Onako into TNK-BP holding. Eric Michailov led a team that advised

Deutsche Bank as advisor to Gazprom on the \$7.12 billion sale of Gazprom shares to the Russian government.

The firm also landed a key new client this year when it was counsel to Amerada Hess on its \$25 million acquisition of a 65% interest in Trabant Holdings International, a company that owns 100% of ZAO Samara-Nafta, an exploration and production company in the Volga-Urals region of the Russian federation.

The firm also has a foothold in the real estate and banking sectors, having advised Société Générale in relation to its acquisition of DeltaCredit Bank and acted for the Metro Group on the development of hypermarkets throughout Russia. Other clients include BASF/Wintershall, Capital Partners, Commerzbank, Gazprombank, Intel, the Kone Corporation, Kraft Foods, Linde, Nestlé Waters, Russian Aluminium, Siemens and IBC.

Leading lawyers

Eric Michailov
Igor Ostapets
Hermann Schmitt

Key contact partners

Maxim Levinson
Marc Polonsky
Eric Michailov
Igor Ostapets
Hermann Schmitt

Akin Gump Strauss Hauer & Feld

Akin Gump Strauss Hauer & Feld is "still doing excellent work" for Lukoil, and this year advised the company on a number of deals. These included its assumption of full management control over Nelson Resources, in a \$2.4 billion transaction, its acquisition of a 50% interest in CJSC SeverTEK from Neste Production Russia, a wholly-owned subsidiary of Fortum, its acquisition of a 66% interest in Geoilbent from Novatek, and on the sale of its subsidiary Arctikneft to Urals Energy Holding, a Cypriot holding company with hydrocarbon assets in Russia. Nataliya Baratients was lead partner in all these deals.

However, Akin Gump is far from reliant on one client, and boasts a wide international and domestic clientèle. Among the year's other highlights, Richard Wilkie headed a team that represented Renaissance Capital, financial advisor to individual sellers, in the sale of its 100% interest in Saneco, an oil company, to West Siberian Resources, a Stockholm-listed company with hydrocarbon assets and operations in Russia, for around \$140 million.

Key contact partners

Nataliya Baratients
Richard Wilkie

CGS&H Limited Liability Company

CGS&H Limited Liability Company moves up a tier in this year's rankings after consistent recommendations from rival lawyers and praise from clients – not only about the quality of the team, but about how well it works with the firm's other offices.

There has been a lot of consolidation in the Russian beer market in 2005, and the firm had a hand in two of the biggest deals to take place in that market. In the first, the firm represented long-term client Texas Pacific in the sale of its interest in Pivovarni Ivana Taranova, a Russian brewing business, to Dutch brewing giant Heineken. And in the second, it acted for the Alfa-Eco Group in relation to its accumulation and disposition of Sun Interbrew shares, as well as on its May 2005 sale of Russian brewer Patra to Heineken.

The firm represented the Rosticks Group on its business alliance with Yum!, where it worked opposite Linklaters. This was the first time that Yum! had agreed to an alliance with a local restaurant chain, including on a co-branding level.

Scott Senecal led a team that acted as counsel to Citigroup Venture Capital International in relation to its October 2005 acquisition of a large minority stake in National Logistics Company. CGS&H also did some natural resources work, representing the financial consultant of Gazprom in its June 2005 reacquisition of a 51% stake in Northgas, a northern Siberian gas producer. London partner Daniel Braverman led a joint London and Moscow team that included Andrew Curran, Simon Jay, Susannah Lindenfield, Yulia Solomakhina, Michael Preston and Roman Pivovar.

Leading lawyer

Scott Senecal

Key contact partners

Daniel Braverman
Scott Senecal

Baker & McKenzie

Baker & McKenzie recruited four associates to the Moscow office and two to St Petersburg this year, taking the number of people in its combined M&A practice to five partners and 27 associates.

The firm was recently seen advising Bennfield in the sale of 50% of its interest in Sibir energy for an overall consideration of \$620 million. Paul Melling led the team on this deal, and also helped advise Alliance UniChem in relation to its acquisition of a 96% controlling stake in AP Apteka Holding for £18 million (€26 million).

The firm was also involved in the beer market consolidation this year, representing Efes Breweries International on its acquisition of 92.34% of Krasny Vostok's shares. The deal was worth \$390 million and closed in January 2006.

In an important real estate acquisition, meanwhile, Maxim Kalinin and Vlad Mazurok advised AS Watson, the retail and manufacturing division of Hutchison Whampoa, on its acquisition of St Petersburg health and beauty retail chain, the Spektr Group. Finally, the firm represented Siemens in relation to its acquisition from Interros of 25%-plus-one of the shares in Power Machines.

Key contact partners

Maxim Kalinin
Carol Patterson
Sergei Voitishkin

Clifford Chance

Clifford Chance is one of a number of firms that have been busy hiring associates in Moscow. Over the past 12 months it has recruited seven associates, taking its M&A total up to 20, along with two partners.

Deals the firm has worked on this year include giving advice to Interros in relation to the disposal of 22.43% of shares in Power Machines to RAO UES for \$101 million and the disposal of 20.16% to Siemens for \$93 million. Marc Bartholomy and Boris Krasnovsky worked on those disposals, and also advised the founders of Ren TV on the sale of its 30% stake to RTL.

The firm also acted as counsel to Renova Capital in relation to the acquisition and related financing of a 100% stake in Corbina Telecom for \$146 million, and guided Interpipe

through the disposal of its 85.4% stake in Ukraine's UkrSotsbank to Bank Intesa for \$1.16 billion.

Key contact partners

Marc Bartholomy
Andrei Dontsov

Salans

In the past 12 months Salans lost partner Philipp Windemuth to White & Case's Berlin office, but recruited six associates, including one from Squire Sanders Dempsey and a senior lawyer from Ikea Productions.

Salans has a great reputation for real estate expertise, and in a busy year the firm advised AIG Global Real Estate in connection with a landmark sale-and-leaseback of the FM Logistics warehouse facility, located to the north of Moscow. It also gave Toyota Motor Corporation full support on various acquisitions of land titles for the development and construction of an automobile plant in St Petersburg.

Outside the real estate sector, Salans advised a consortium of investors, led by Fleming Family & Partners and DTB, on all aspects of the acquisition of Ice Fili and its subsequent merger with Ramzai Group, both major Russian ice-cream producers. And teams from the London and Moscow offices combined to advise Baring Vostok Capital Partners on its acquisition of a substantial minority stake in a retail Russian bank.

Key contact partners

Glen Colleeny
Mathieu Fabre-Magnan
Alexei Knyazhev

Skadden Arps Slate Meagher & Flom

Skadden moves up a tier this year after being consistently praised by the market. Pranav Trivedi, the main partner, is based in London but spends a lot of his time in Moscow. The Moscow office is headed by counsels Dmitry Kovalenko and Alexei Kiyashko.

In the past 12 months the firm has advised the controlling shareholders of the Siberian Oil Company (Sibneft), Russia's fifth-largest oil producer, in the sale (worth around \$13.1 billion) of a 72% stake in Sibneft to Gazprom. In another big deal the firm advised ZAO Prof-Media Holding, a Russian owner of newspapers, magazines, radio stations and movie theatres, in relation to its acquisition of a controlling stake in ZAO Central Partnership, a film and television show production and distribution company.

The firm also worked for Alfa Capital Partners private equity fund on its acquisition of a majority stake in Kreker, and regularly advises Renaissance Capital on M&A deals in Russia and other countries.

Key contact partner

Pranav Trivedi

Allen & Overy Legal Services

Allen & Overy's Russian M&A department contains two partners and 13 associates, and has won some impressive mandates over the past year. The highly-rated Edwin Tham advised Raiffeisen International Bank Holding on its \$550 million acquisition of Impexbank, one of the largest bank networks in Russia,

and for BNP Paribas on its acquisition of a majority of the shares in Ukrainian bank UkrSibbank.

Tham also worked opposite Baker & McKenzie in advising Spektr Group, a Russian health and beauty retail chain, on its acquisition by the AS Watson Group. In the consolidation of the beer market, meanwhile, the firm acted for Heineken International on its acquisition of four brewing groups – the Baikal Brewing Company, Stepan Razin Brewery, Atra Brewery and Ivan Taranov Breweries.

Leading lawyer

Edwin Tham

Key contact partners

Edwin Tham

Peter Timchur

Latham & Watkins

Christopher Allan, counsel in Latham's Moscow office, has a solid reputation both among lawyers and clients in Moscow. He was involved in all Latham's key deals this year, including advising Sistema Mass Media, a media subsidiary of AFK Sistema, in relation to its \$100 million acquisition of Cable TV Group UCN. The firm also represented Comstar, another AFK Sistema subsidiary, on its acquisition of a 45% interest in Metrocom, a St Petersburg telecommunications company, for \$23 million.

Indeed, Latham's Moscow office specializes in advising telecommunications companies, and acted for MTS when it bought Barash Communications Technologies, a leading mobile operator in Turkmenistan, for \$46.5 million in October 2005. Allan was at the helm again when the firm acted for Delta Private Equity Partners and SAS Rezidor in the sale of the ZAO Hotel Corporation in St Petersburg.

Leading lawyer

Christopher Allan

Key contact partner

Anya Goldin

Other notable firms

CMS Cameron McKenna recruited partner David Cranfield in May 2006, adding strength to an already solid team. In the past 12 months the firm has advised Golden Telecom on its acquisitions of stakes in Raskom and the Sakhalin Telecom company.

Debevoise & Plimpton moves up a tier this year after being praised as “a really high-quality boutique”. Among the year's highlights the firm advised UFG, a leading Russian investment bank, in relation to the sale of the remaining 60% of the bank to Deutsche Bank. In another standout deal it advised the Multon Group, the number-two juice maker in Russia, on the \$501 million sale of the business to The Coca-Cola Company and Coca-Cola Hellenic Bottlers.

Allan Hanen and Robin Wittering handle M&A matters at Herbert Smith CIS Legal Services, a firm described as “very aggressive” in negotiations. It acted for acted for the Alfa Group, the owner of the Smirnov Trading House, in connection with the formation of its joint venture with Diageo to market, sell and distribute spirits in Russia.

In July 2005 DLA Piper acquired substantively the whole of the legal practice of Ernst & Young, which has boosted the firm's capacity to seven partners and 20 associates. Its M&A work is connected largely to real estate, and includes advising Severstal trains on the potential sale and joint venture formation for the ownership of two major Baltic Sea container terminals, and acted for Orient-Express Hotels on the acquisition of the Grand Hotel

Europe in St Petersburg. It also advised television channel TV3 on the acquisition of 11 local television broadcasting stations.

Of the Russian firms, Alrud is one of the country's leaders for M&A work, and counts leading pharmacy chain 36.6 among its main clients. It advised 36.6 on its acquisition of the Opeka pharmacy chain in Perm, and leading pharmacy chains in Samara, Nizhny Novgorod, Volgograd and Omsk. It also worked for Russian furniture producer Dok-17 on the sale of its factory in Moscow to the Capital Group, a leading Russian real estate developer that was represented by Norton Rose.

Another strong Russian firm, Monastyrsky Zyuba Stepanov & Partners advised Stada on its \$110 million acquisition of Nizhpharm, the fourth-largest pharmaceutical producer in Russia, and acted for Segezha Pulp and Paper Mill on its €65 million acquisition of Korsnäs Packaging. The firm's other clients include the Nutritek Group and the Invest Consult Group.

Finally, Pepeliaev Goltsblat & Partners is best known as a tax firm but has started to build its reputation in M&A and gains its first appearance in the rankings on recommendation from the market and visibility on some big deals. The highlight for the firm's M&A practice was its role performing due diligence on the Yum!-Rosinter alliance; it also worked on the disposal of the Russian part of UK retailer Boots Healthcare.

Project finance

Recommended firms

Tier 1

Freshfields Bruckhaus Deringer

Linklaters

White & Case

Tier 2

Akin Gump Strauss Hauer & Feld

Allen & Overy Legal Services

Clifford Chance

LeBoeuf Lamb Greene & MacRae

Tier 3

Chadbourne & Parke

CGS&H Limited Liability Company

CMS Cameron McKenna

Debevoise & Plimpton

Denton Wilde Sapte

Herbert Smith CIS Legal Services

Norton Rose

Salans

Freshfields Bruckhaus Deringer

Freshfields is in the enviable position of having leading roles on some of the most important projects in Russia at the moment. In a project that is likely to exceed \$2 billion, Innokenty Ivanov has been advising Western High Speed Diameter on the initial stage of a road-building project in St Petersburg. Ivanov is also advising the Ministry of Transport on the Moscow-St Petersburg toll road project, which is expected to be one of the first concessions under the new Russian law on concession agreements.

In addition to these transport infrastructure projects, the firm is often found advising on the country's biggest power and energy projects. Michael Schwartz has also been advising European clients on structuring investment projects for the construction and operation of, among others in Moscow, the Kurianovo mini-heat power plant.

Jacky Baudon, meanwhile, is counsel to a big European company which is the project sponsor on the Teply Stan cogeneration project in Moscow. Other clients of the firm's projects practice include EVN and WTE Wassertechnik.

Leading lawyer

Michael Schwartz

Key contact partners

Jacky Baudon
Mikhail Loktionov
Michael Schwartz

Linklaters

Linklaters has a strong energy and natural resources practice that enables it to work on some of the biggest projects in Russia. Leading lawyer Daniel Tyrer is respected by rival lawyers for his expertise, while Dmitry Dobatkin has "an encyclopaedic knowledge of the key legal and regulatory issues".

This knowledge has been essential in advising Sakhalin Energy Investments on the development and financing of the Sakhalin 2 combined oil and LNG project. The value of this deal has gone up to \$20 billion, making it the biggest-ever oil and gas project in Russia.

Gazprom is another high-profile client of the firm, and as well as advising on its acquisition of Sibneft and on the issuing of loan participation notes to finance the bluestream project (both mentioned earlier in this editorial), Linklaters is working on the developing and financing of a natural gas pipeline linking Russia and western Europe. Among the year's other highlights, the firm has also advised the EBRD on the financing of Alcoa's acquisition of two aluminium smelters from Russian company Rusal.

Leading lawyer

Daniel Tyrer

Key contact partners

Dmitry Dobatkin
Daniel Tyrer
Denis Uvarov

White & Case

White & Case has a three-partner, eight-associate team that is involved in the \$20 billion Sakhalin II project representing, as common counsel, export credit agencies, multilateral lenders and commercial bank lenders. Marc Polonsky, the practice head, is leading the team on this challenging and complex deal.

The firm also represented Russia's national postal service operator in a €66 million syndicated financing from Commerzbank and Fortis Bank to finance the acquisition of equipment for the construction of an automated mail sorting centre in St Petersburg. The financing includes a €46.5 million facility backed by Hermès, and is one of the first syndicated export credit agency-backed financings of real estate and industrial development projects of a Russian government institution.

Hugh Verrier, meanwhile, was involved in representing a leading international financial institution in relation to its \$100 million financing of a group of Russian railway transportation companies for the acquisition of tank wagons, expansion of rail maintenance facilities and related infrastructure and the development of a trans-shipment port terminal on the Black Sea.

Leading lawyer

Marc Polonsky

Key contact partners

Maxim Levinson
Marc Polonsky
Hugh Verrier

Allen & Overy Legal Services

Over the last 12 months Allen & Overy Legal Services has gone on something of a recruitment drive, recruiting a consultant from Lovells, an associate each from Norton Rose, White & Case and Baker & McKenzie, and three junior associates. Peter Timchur heads the practice, which has acted on a couple of eye-catching deals.

In the natural resources sector Andrei Baev advised Lukoil Overseas on a \$180 million non-recourse project finance facility arranged by the EBRD in relation to the development of the Shah Deniz gas field and the construction of the South Caucasus gas pipeline, which will cross Azerbaijan, Georgia and Turkey.

The firm also acted for HypoVereinsbank on a \$350 million project finance facility for Brunswick Rail Leasing, Russia's largest private railway operator.

Other clients include Bayerische HypoVereinsbank and ABN Amro.

Key contact partners

Irina Mashlenko
Dmitry Shiryayev
Peter Timchur

Clifford Chance

Clifford Chance is becoming more visible on project finance matters, and this year advised Moscow Narodny Bank on a \$50 million loan to Rostov Electro Metallurgical Plant for the development of a new steel mill. This was the first Russian financing of a greenfield steel mill construction.

In a deal led by the Paris office, meanwhile, the firm advised the lead arranger and the SACE export credit agency on a €198 million financing for Italian steel mill equipment to be used by a Russian steel producer. State bank Sberbank provided finance and support. Victoria Bortkevicha worked on these two deals, and also spearheaded Clifford Chance's advice to the EBRD on a EUR5 billion (\$185 million) loan to federal grid company UES to finance the upgrade and reconstruction of electrical substations.

Key contact partner

Logan Wright

LeBoeuf Lamb Greene & MacRae

LeBoeuf Lamb Greene & MacRae's CIS energy practice is led from Moscow by the highly-recommended John Hines. At the time of writing, Hines was lending his expertise to Norwegian company Statoil on the proposed new \$10 billion Shtokman field project with Gazprom and other western consortium members.

Hines has advised ExxonMobil since 1993 on many important aspects of Sakhalin I, the \$12 billion offshore field development project in eastern Russia. Most recently, he advised on the September 2005 closing of pioneering long-term gas sale agreements to supply two Russian energy companies in Khabarovsk.

LeBoeuf is general outside counsel in Russia and Kazakhstan to the Caspian Pipeline Consortium, the owner of the successful operating \$2.6 billion, 1,500km pipeline that stretches from

Kazakhstan to the Russian Black Sea port of Novorossiisk. The firm has handled a number of ongoing matters this year.

Leading lawyer

John Hines

Key contact partners

John Hines

Brian Zimble

Other notable firms

Jack Langlois was the lead partner for **Akin Gump Strauss Hauer & Feld** when the firm continued to provide advice to ONGC Videsh over its dual involvement in the \$4.5 billion Sakhalin 1 oil project, in which it is a 20% equity investor and financier of the 20% belonging to Rosneft.

French powerhouse **Gide Loyrette Nouel** enters the rankings this year after advising the SACE export credit agency on a €52.4 million facility to the Russian Post, and providing assistance to Russia's Ministry of Economic Development in preparing a draft standard concession agreement and participating in the working group on amending the concession legislation.

Finally, **Herbert Smith CIS Legal Services** enjoys a strong reputation for its energy practice and recently advised ABN Amro, Citigroup and Calyon on a \$600 million secured debt facility to TNK-BP Holding, the first major financing for the new holding company. It is also counsel to TNK-BP on the development of the Burgas -Alexandropoulos pipeline project.