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It goes without saying nowadays that securitization is an attractive mechanism for raising funds through the refinancing of existing assets. 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 Russian legal framework, together with applicable court practice, which does not favour securitization transactions. One of the biggest legal obstacles to securitization is the long-standing court practice on the assignability of contractual rights, which narrows the scope of receivables eligible for securitization.

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. So the question of whether it is possible to assign Russian law-governed receivables will be governed by Russian law. A plain reading of the Russian Civil Code also leads to the conclusion that almost any right (including the right to payment) arising from civil law obligations and belonging to a concrete creditor (the *subjective right under an obligation*) is assignable.

However, in practice, the positions taken by Russian courts and the views expressed by most Russian legal scholars seriously limit the types of receivables eligible for assignment (and, consequently, for securitization).

Assignment of rights versus substitution of a counterparty

Until recently, Russian courts and some scholars sustained the conservative position that a creditor's rights under a contract could be assigned only together with all its corresponding obligations under this 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.

Scholars adhering to this conservative view of assignment

also generally deny the possibility of partial assignments (that is, assignments of a right to claim repayment of only a part of the debt). This approach obviously does not fit into the general framework of securitization, which depends on legal flexibility in permitting the assignment only of precisely defined payment rights.

Attempts to liberalize the concept of assignment of rights

In an attempt to liberalize this conservative position of some Russian courts, the Higher Arbitrage Court of the Russian Federation (the HAC) clarified in a number of disputes 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 HAC 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 HAC did not succeed in widening the scope of rights capable of being assigned under Russian law. In fact, the HAC's rulings limited the assignability of rights only to situations in which it is proven beyond doubt that each of the conditions above has been met.

Assignment of future flows

Although in the international markets future receivables are frequently assigned in securitizations, existing court practice in Russia does not favour the assignment of rights to future receivables. Such court practice is based on a strict application of the conditions set out by the HAC, rather than on any prohibition in applicable laws or regulations. Russian legislation directly permits the assignment of future receivables only in factoring operations; no direct prohibition on assignment of future receivables in the context of non-factoring operations exists.

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 that are conditioned only upon the passage of time are assignable. For example, rights to repayment of a loan that will arise in the future as repayment comes due are assignable. However, under the HAC doctrine described above, rights to lease payments for future periods would not be assignable – because the assignor has yet to furnish the property under the lease (counter-performance) that will give rise to the obligation to pay.

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 is still that rights under future contracts cannot be assigned, mostly because the scope of the rights being assigned cannot be fully identified at the moment of transfer.

This conservative position is also supported by court practice. Courts often invalidate the assignment of rights under future contracts. At the same time, recent court practice demonstrates that alternative techniques of assignment are being used successfully. In one court precedent a court qualified an assignment of rights under a future contract to be valid, provided that the assignment agreement enters into force only after the conclusion of the underlying future contract.

In summary, despite the various signs that Russian courts and legal scholars are softening their conservative positions on the assignment of rights, the evolution of securitization in Russia will remain in doubt, unless the market sees further extensive liberalization of the prevailing doctrine on the ability to assign various types of receivables.

Banking

Recommended firms

Tier 1

Allen & Overy Legal Services

Clifford Chance

Linklaters

White & Case

Tier 2

Freshfields Bruckhaus Deringer

Herbert Smith CIS Legal Services

LeBoeuf Lamb Greene & MacRae

Tier 3

Baker & McKenzie

Chadbourne & Parke

CGS&H Limited Liability Company

Lovells

Norton Rose

Salans

Tier 4

Akin Gump Strauss Hauer & Feld

CMS Cameron McKenna

Debevoise & Plimpton

Denton Wilde Sapte

Jurinflot International Law Office

Latham & Watkins

Skadden Arps Slate Meagher & Flom

Tier 5

Andrey Gorodissky & Partners

Corporate Legal Services

Gide Loyrette Nouel

Monastyrsky Zyuba Stepanov & Partners

Allen & Overy Legal Services

Allen & Overy's head of department for banking work is Peter Timchur, who this year has seen the arrival of two associates: Ekaterina Abrossimova, who joined the firm from Chadbourne & Parke, and Veronika Kondruseva who came to the firm from Baker & McKenzie. These arrivals bring the count of lawyers in the banking practice to 14: 10 associates and four partners. Two are US-qualified and three UK-qualified.

One interviewee commented of A&O's position in tier one, "you've got the market leaders there," and this reputation as a leading firm is reflected in an excellent client list. Lukoil was a recent client, and sought advice from the firm in relation to a \$765 million pre-export facility arranged by ABN Amro and Citigroup. A&O lawyers Peter Timchur, Andrei Baev and Anton Konnov advised on the deal. The firm worked on another deal involving ABN Amro which, along with Bayerische Hypo-und Vereinsbank and Société Générale, turned to the firm for advice in relation to an \$800 million export facility for Rosneft.

A&O lawyers Dmitry Shiryayev and Edward Baring worked on another deal involving Rosneft, this time advising BNP Paribas on a \$150 million export facility for the company. Depfa Investment Bank was another client, which A&O advised in

connection with a \$200 million syndicated loan to the Bank of Moscow. Peter Timchur and Elena Tchoubykina advised on the deal.

Leading lawyer

Peter Timchur

Key contact partners

Andrei Baev

Irina Mashlenko

Peter Timchur

Clifford Chance

Clifford Chance is an admired firm for banking work in the Russian market, and it moves up a tier from last year as a result of positive comments from interviewees. Individuals pointed to Clifford's extensive capacity for banking advice, one client stating: "I tend to emphasize that Clifford Chance has the most developed practice." As with A&O, the firm is seen by market observers as a member of the magic circle of corporate law firms practising in Russia, and this is certainly borne out by the positive comments garnered during interviews.

One recent deal that benefited from Clifford Chance's expertise saw the firm represent the syndicate of lenders in relation to a loan to Yukos. Clifford Chance is the firm of choice for large financial institutions, and is a regular feature on panels of preferred law firms.

Key contact partner

Michael Cuthbert

Linklaters

Partner Michael Bott is the head of Linklaters' banking practice in Russia, and leads a team consisting of two partners and seven associates. Bott is both US- and UK-qualified, and has been based in Moscow since 1998, advising lenders, multilateral institutions and export credit agencies.

Linklaters has continued to excel in banking work. Russian companies have been able to borrow under more favourable terms than in recent years, and loans secured against export receivables have become a staple of the market. One example of this type of deal came when the firm acted for Commerzbank and Société Générale as lead arrangers and lenders of a \$300 million loan to Gazprom. This loan was of particular interest as it was secured by receivables under a gas export contract with German gas buyer Wih. Bott and Elena Perepelkina worked on this deal, which involved setting up a master security trust structure for the benefit of the lead arrangers and for any banks looking to accede to the trust.

Other clients included Citibank and Deutsche Bank in their capacity as arrangers in relation to a syndicated loan to Vneshtorgbank. This \$382 million syndicated loan was the largest ever to a Russian bank, and was again overseen by the pairing of Bott and Perepelkina. Bott also led a team of lawyers that advised OAO Lukoil in connection with the construction of a petrochemicals installation on Vysotsk Island in the Gulf of

Finland. This \$225 million deal involved the Overseas Private Investment Corporation, and a Clifford Chance team drawn from its Moscow, London and New York offices.

Yukos is another client, which Linklaters advised on a \$2.6 billion dual-tranche loan. The loan was arranged by Société Générale, Citibank, ING, Crédit Lyonnais, Deutsche Bank, Commerzbank and HSBC, and was granted to finance Yukos' merger with Sibneft.

Leading lawyer

Michael Bott

Key contact partner

Michael Bott

White & Case

There are four partners and 23 associates at White & Case in Moscow, and Jason Kerr and Hugh Verrier head up the banking practice. Winner of the award for *IFLR's* Russian law firm of the year for 2004, White & Case features on the panels of some of Russia's top financial institutions.

In one standout deal, the firm advised ABN Amro on the \$1.1 billion refinancing of Gazprom. This was the second of two loans with a total value of \$2.2 billion, and was seen by commentators as emblematic of the growing confidence of investors in the Russian market. The loan was the first of its kind since the inception of the 2004 currency control laws, and was secured against export receivables from the Czech Republic.

White & Case also advised Moscow Narodny Bank on a two-part \$85 million finance strategy in which Narodny Bank was the arranger. The first part involved a \$35 million medium-term pre-export finance facility forwarded to Volgograd Steel Works Red October, and in the second, it made a \$50 million medium-term structured finance facility available to the Pipe Metallurgical Company.

Among the firm's other instructions over the past year, Banque Société Générale Vostok turned to the firm for advice in relation to its drive to make financial products – particularly mortgages and financial leasing – more available to Russian consumers and enterprises in several Russian regions, and Russkiy Mir instructed the firm to advise it on the secured financing of rail cars for private rail car leasing operations.

Leading lawyer

Hugh Verrier

Key contact partner

Hugh Verrier

Freshfields Bruckhaus Deringer

Over the last 12 months, Alexander Korogodov and Laila Vildanova arrived at Freshfields as associates. The higher-profile move, however, was the departure of partner Thomas Mueller-Deku, who left the firm's Moscow office to return to Germany. He was replaced by Mikhail Loktionov, who moved over from

the firm's London office. This leaves the count of lawyers at three partners and 14 associates. Two lawyers are US-qualified, and three are UK-qualified.

Recent work has included advising GE Consumer Finance in relation to the \$100 million acquisition of DeltaBank, and also providing help to Rusfinance on setting up a domestic consumer credit finance bank. Freshfields advised Rusfinance on the deal, which was a joint venture with Société Générale and Baring Vostok Capital Partners. Mueller-Deku advised on the deal, along with Freshfields lawyers Olga Chislova and Maria Zaitseva. In a further deal, the firm advised Société Générale on the acquisition of Promek Bank, and at the time of writing the deal was all but completed except for anti-monopoly and central bank approval.

Freshfields' syndicated lending practice has handled some top-flight work over the past year. Among the highlights, it acted for a Yukos shareholder in relation to a \$1.6 billion loan to Yukos, represented ABN Amro on a \$56 million and €8 million (\$9.8 million) telecoms loan facility, and advised Raiffeisen Zentralbank Oesterreich when it sought advice from Freshfields on a \$20 million unsecured syndicated facility granted to Evrofinance Mosnarbank. HypoVereinsbank also benefited from the firm's advice, when it turned to Mueller-Deku, Peter Schulze and Korogodov on a \$60 million loan to Nobel Oil in late 2004.

Key contact partner

Mikhail Loktionov

Herbert Smith CIS Legal Services

Herbert Smith CIS Legal Services has had a good year, and advised on one of the largest domestic bank debt deals of the past 12 months when it provided advice to Citigroup and ABN Amro on a \$1 billion facility granted to petrochemicals company TNK-BP. The two banks were acting as joint bookrunners on the deal, which was designed to provide funds for general corporate purposes.

Herbert Smith also counselled BNP Paribas on a \$200 million loan to Varyoganneft, and a \$187.5 million loan to OAO Tatneft, the domestic oil and gas company. ING also turned to the firm for guidance on its \$450 million loan to the Siberian Urals Aluminium Company. Société Générale uses Herbert Smith for banking work, and recently did so in relation to its role as lead arranger on a \$100 million loan to PetroKazakhstan.

Key contact partner

John Balsdon

Baker & McKenzie

Baker & McKenzie's banking practice is split between the firm's Moscow and St Petersburg offices, and is headed by David Scott. The team consists of seven lawyers, one of which is UK-qualified.

The European Bank for Reconstruction and Development recently came to the firm for advice on two matters: the first, its financing of Vestel, a Russian and Turkish joint venture

producing televisions in Moscow, and the second, when it granted a \$150 million syndicated loan facility to OOO Raiffeisen Leasing in November 2004, which saw input from lawyers in Moscow, London and Baku.

ISR Holdings also came to the firm for guidance on the purchase of five oil tankers in the Caspian Sea. This deal was headed by Igor Gorchakov in the Moscow office, and also involved lawyers from the firm's Almaty, Baku and London offices.

Other clients of the firm include Deutsche Bank, Petrocommerce Bank, the International Swaps and Derivatives Association, the Black Sea Development Bank and Dresdner Bank.

Key contact partners

Vladimir Dragunov

Max Gutbrod

David Scott

Chadbourne & Parke

Laura Brank is the head of Chadbourne & Parke's Moscow banking practice, and she leads a team of three partners and seven associates. Two partners and three associates are US-qualified, while two partners are UK-qualified.

In one highlight of the past year, Brank led a team of lawyers advising ING Bank on the financing of Karelsky Okatysh, a company that is part of the Severstal Group's holding resource division. The \$60 million loan was used to fund equipment and infrastructure development, and to refinance short-term debt.

The firm also advised Transneft on a \$250 million credit facility to fund the expansion of the Baltic pipeline system to 60 million metric tons. The financing involved a consortium of 19 western banks, including Barclays Capital and Barclays, which were advised by Allen & Overy.

Other clients include the International Finance Corporation (IFC), which the firm advised on the \$125 million financing of the acquisition by Orient Express Hotels of a 93.5% stake in St Petersburg's historical Grand Hotel Europe, the largest single property acquisition in Russia and the IFC's first-ever acquisition financing in Russia, and Standard Bank, which the firm advised on a \$16 million loan to the Moscow Bank for Reconstruction and Development in February 2005.

Key contact partners

Laura Brank

Shane DeBeer

Chris Owen

CMS Cameron McKenna

David Griston runs CMS Cameron McKenna's banking practice in Russia, and the team advises clients such as Raiffeisen ZentralBank Österreich (RZÖ), Standard Bank, the European Bank for Reconstruction and Development, Nordea Bank Sweden and The Bank of Tokyo-Mitsubishi.

Among the year's highlights, the firm acted for RZÖ in relation to a \$50 million loan to Bank Petrocommerce, made available by RZÖ and a syndicate of international banks and completed in April 2005. In a further deal, CMS advised RZÖ

on an \$80 million unsecured term loan facility. The firm also acted on a \$65 million unsecured term loan facility made available to Ural Siberian Bank OJSC by a syndicate of international banks led by Standard Bank London.

Key contact partner

David Griston

Capital markets

Recommended firms

Tier 1

CGS&H Limited Liability Company

Latham & Watkins

Linklaters

Tier 2

Akin Gump Strauss Hauer & Feld

Allen & Overy Legal Services

Clifford Chance

Freshfields Bruckhaus Deringer

Skadden Arps Slate Meagher & Flom

White & Case

Tier 3

Baker & McKenzie

Debevoise & Plimpton

LeBoeuf Lamb Greene & MacRae

Lovells

Monastyrsky Zyuba Stepanov & Partners

Norton Rose

CGS&H Limited Liability Company

CGS&H Limited Liability Company is the Russian arm of leading US firm Cleary Gottlieb Steen & Hamilton, and is a leading light in capital markets work in Russia. One interviewee commented on Cleary's position in tier one, saying, "Cleary are really on top of capital markets – I have no surprise that they are here." The firm is also helped by close affiliations with investment banks and other international institutions.

Debt work has included advising OAO Gazprom in relation to a \$1.25 billion secured export notes offering. Daniel Braverman and Scott Senecal were the Cleary lawyers working on the deal, which involved a Rule 144A and Regulation S offering and which marked the first-ever export receivables-backed bond issue by a Russian company. Braverman comes highly recommended by interviewees as a practitioner "with a full understanding of the Russian market."

In October 2004 Vneshtorgbank turned to the firm for advice in relation to its \$450 million bond issue, which was the first Rule 144A offering, with its heightened disclosure standards, by a Russian bank. Indeed, eurobonds are a specialist area for the firm, and since 2003 Cleary has advised on 24 such offerings in Russia, with a total value of \$14 billion. Clients in the area include Alrosa, Gazprom, Megafon, MTS, Norilsk Nickel, the Russian Federation, Sberbank, Sistema, Vneshtorgbank, Wimm-Bill-Dann and Bank Zenit.

The firm is also strong on equity work, and in December 2004 it advised UBS and Citibank on a \$1.7 billion accelerated undocumented book-build offering by T-Mobile of Mobile TeleSystems shares. Cleary has also advised on three initial public offerings (IPOs) over the past 12 months. On the first, the firm acted as counsel to the underwriters in relation to the November 2004 \$334 million IPO and New York Stock Exchange listing by the Mechel Steel Group, which was the only US-listed IPO by a Russian company in 2004, and the first-ever IPO by a Russian metals company. And on two IPOs listed on Russian exchanges (a growing trend in Russia), the firm acted for the underwriters on the \$80 million domestic Russian IPO and international offering of Seventh Continent (one of Russia's leading supermarket chains) and for the underwriters again in relation to the \$25 million domestic Russian IPO and international offering of Kalina, Russia's leading cosmetics company, listed on the Moscow Interbank Currency Exchange.

Leading lawyers

Daniel Braverman

Scott Senecal

Key contact partners

Daniel Braverman

Scott Senecal

Latham & Watkins

Anya Goldin is the head of Latham & Watkins' capital markets division in Moscow, and she leads a team of 10 lawyers, half of whom are US-qualified. The firm retains an excellent stable of clients, who regard its capital markets advice as "first rate." Goldin herself is cited by interviewees as the main reason for the firm's success in this area, one client commenting that Goldin "has been working in Moscow for 10 years, wields an excellent understanding of the Russian market and a thorough understanding of the interaction between Russian law and foreign law ... tremendous experience." But it is definitely not a one-woman show – from among the rest of the team, Varun Gupta is another well-regarded practitioner who has, according to another client, "a strong background in securities law, and has done a great deal of transactions ... he has an exceptional grounding in US securities law."

At \$1.56 billion, AFK Sistema's initial public offering was Russia's largest ever. Latham & Watkins acted for AFK Sistema on the IPO, which involved the London listing of global depositary receipts and included sales into the US. It was completed in February 2005, and underwritten by Credit Suisse First Boston and Morgan Stanley.

The firm also won a role on the Mechel Steel Group's \$335 million IPO, the only US-listed IPO by a Russian company in 2004, the first-ever IPO by a Russian metals company and, as it involved listings both in New York and Moscow, the first dual-listed Russian IPO. Mechel was the first Russian firm to have its stated mineral reserves reviewed by the Securities and Exchange Commission.

Latham's found itself across the negotiating table from rival US firm Cleary Gottlieb Steen & Hamilton on the domestic IPOs of Seventh Continent and Kalina, and after its IPO, helped Kalina to set up a Level I American depositary receipt programme. The firm also represented Mobile TeleSystems in relation to its \$400 million issue of Luxembourg-listed notes. A team from the firm consisting of Goldin, Wendy Atrokhov and Igor Sosnovksy advised on the deal, which closed in early 2005.

Leading lawyer

Anya Goldin

Key contact partner

Anya Goldin

Linklaters

Linklaters' capital markets operation is run by Dmitry Dobotkin, and efforts to boost the practice have certainly paid off. Over the past year the firm has netted some high-profile clients, including Deutsche Bank and UBS, which the firm advised in their capacity as joint lead arrangers of Vneshtorgbank's \$2 billion euro medium-term note (EMTN) programme. The programme went beyond the run-of-the-mill MTN documentation, as it combined loan participation note mechanics with EMTN programme documentation, as well as a Luxembourg fiduciary deposit structure.

In another notable deal, a team comprising Dobotkin, Michael Bott, Stephen Cozens, Maria Averianova, Maria Vasina and Dmitry Sushev advised ABN Amro, Merrill Lynch and Morgan Stanley as managers in relation to Gazprom's \$3.6 billion issue of structured export notes and its issue of \$1.25 billion-worth of notes. The notes achieved an investment-grade rating by Standard & Poor's and Fitch, and the deal marked the first ever securitization of export receivables by a Russian company.

Linklaters also advised the banks in relation to setting up Gazprom's \$5 billion note programme, and subsequent issues under the programme. These issues were of loan participation notes to finance loans to Gazprom, which entailed issuing €1 billion (\$1.2 billion)-worth of series one, and \$1.2 billion-worth of series two notes.

Leading lawyer

Dmitry Dobotkin

Key contact partner

Dmitry Dobotkin

Allen & Overy Legal Services

Irina Mashlenko is the head of Allen & Overy's capital markets campaign in Russia, and she heads a team of four lawyers, two of whom are US-qualified. Mashlenko oversees a well-respected practice, and Mashlenko herself is considered a top-flight lawyer – one client picked out her “client-oriented approach,” and another, the “high quality of her work.”

ING Bank came to the firm for advice on a multi-tranche eurobond issue by Ervaz. ING was the manager on the deal, which involved tranches of notes issued in the amounts of \$150 million, \$25 million, \$150 million and again at \$150 million. The deal was handled by Mashlenko and Eric Zuy, and was completed in 2004.

Allen & Overy also advised on a \$140 million issue of loan participation notes by Commerzbank, undertaken to fund a loan to the OJSC Ural-Siberian Bank. Deutsche Bank also turned to the firm for advice on a loan to Avtovaz, which was funded by the issue of \$240 million-worth of loan participation notes due 2006. Zuy worked on the deal, along with Edwin Tham – a lawyer cited by interviewees for his “forthrightness.”

Leading lawyers

Irina Mashlenko

Peter Timchur

Key contact partner

Irina Mashlenko

Clifford Chance

Clifford Chance is, in the words of one market observer, “very experienced and developed in capital markets.” This sentiment is reflected in the firm's presence on the panels of many large domestic and international financial institutions looking for capital markets advice in Russia.

The firm recently affirmed its position as a leading capital markets adviser in Russia when it landed a role on the first Russian true-sale securitization. Clifford Chance represented the arrangers, MNB Capital Markets and Greenwich Financial Services, in relation to the securitization of one of Russian bank Soyuz's auto loan portfolios. The notes were then listed on the Irish Stock Exchange, and received a Baa3 rating from Moody's. Clifford Chance's Moscow office brought together an international team of practitioners to work on the deal, fielding a team that included Russian, UK, US and Dutch input.

In another standout matter, Clifford Chance advised Irkut, as issuer, and the selling shareholders on Russian and English law issues in connection with the sale of \$127 million-worth of Irkut shares to Russian and international investors. Clifford Chance devised the structure for the offering, which enabled the issuer to overcome Russian legal barriers for conducting public offers of securities and allowed it to receive the fair market price for its shares.

Among the year's other highlights, the firm advised Severstal in relation to US, English and Russian law issues in connection with its \$375 million Rule 144A eurobond offering.

Leading lawyers

Michael Cuthbert

Arthur Iliev

Key contact partner

Michael Cuthbert

Freshfields Bruckhaus Deringer

Freshfields Bruckhaus Deringer has two partners and 14 associates in its Moscow capital markets team, which over the past 12 months has advised a raft of companies on a series of transactions.

Equity work has seen the firm advise Open Investments, a domestic real estate investment company, on its \$68.8 million initial public offering (IPO) and stock placement. ING Bank acted as the lead arranger of the IPO, which was concluded in late 2004. The team from Freshfields was led by Tobias Mueller-Deku before his relocation to the firm's Munich office. Mueller-Deku also led a team that advised leading Russian retailer Pyaterochka on its \$500 million IPO arranged by Credit Suisse First Boston and Morgan Stanley.

CSFB again turned to Freshfields for advice in relation to the \$178 million IPO by Efes Breweries, which involved the issue of global depository receipts that were listed on the London Stock Exchange. And in mid-2004 the firm also acted for the joint-lead managers and joint bookrunners in relation to the \$21.2 million international secondary offering and capital increase by media company RBC Information Systems.

The firm has also been active in structured finance work, and has recently advised Rosbank on a series of deals – most notably, its \$225 million future flow securitization and bond issue, one of the first-ever future flow transactions in the Russian market. Freshfields fielded a team that comprised Friedrich Jergitsch, Anne-Marie Fortier, Tobias Mueller-Deku, Peter Schulze and Alexander Korogodov.

Key contact partners

Yuri Kachuro
Alexander Klotchkov

Skadden Arps Slate Meagher & Flom

Skadden has enjoyed a good year in many of its European offices, and is quickly becoming a member of the select few US firms that can seriously compete for work against the UK firms in their foreign offices.

The firm's strength allows it to win top-level instructions both on debt and equity matters. Standout debt work included acting for JP Morgan Securities and UBS as underwriters in relation to two issues of loan participation notes (worth \$450 million and \$300 million respectively) by Russian open joint-stock company Vimpel-Communications. Skadden also represented Bank of Moscow, the second-largest retail bank in Russia, in connection with its \$250 million offering of loan participation notes due 2009.

On the equity side, meanwhile, Credit Suisse First Boston and AKB OAO Moscow Business World (MDM-Bank) came to the firm for advice as underwriters in relation to the \$127 million initial public offering (IPO) of the Irkut Aircraft Corporation, and Skadden also represented OAO Open Investments in relation to its \$69 million IPO.

Key contact partners

Bruce Buck
Pranav Trivedi

White & Case

Four partners, two of-counsel and 23 associates handle capital markets work at White & Case's Moscow office, and the practice is run by the highly recommended Sven Krogjus, who moved over from the firm's Stockholm office at the start of 2004.

In what was probably the firm's most groundbreaking role of the past year, White & Case acted for Merrill Lynch and Credit Suisse First Boston in relation to Rosbank's \$225 million international bond issue. This was the first-ever future flow securitization in Russia and the country's first-ever securitization of credit card receivables, and established a successful precedent that is expected to speed up growth in the Russian market for transactions of this type. The structure of the transaction offered investors three levels of protection: first, a credit trigger setting an amortization process in motion if Rosbank's credit rating is reduced from its current level, secondly, a pledge over all of the share capital of United Card Service, the credit card servicer in the deal, and lastly, the ring-fencing of the cash flows backing the bond.

The city of Moscow was another client, which White & Case advised on its issue of €374 million (\$460.5 million)-worth of bonds. The fact that these bonds were several times oversubscribed was a reflection both of the buoyancy in the Russian market and investor confidence.

Among the year's other highlights, White & Case acted for Lebedyansky Experimental Cannery, the domestic fruit juice manufacturer, on its \$150 million initial public offering, and represented UBS and Merrill Lynch as lead arrangers of a \$400 million euro medium-term note programme set up by Alfa Bank.

Leading lawyer

Sven Krogjus

Key contact partner

Sven Krogjus

Baker & McKenzie

Baker & McKenzie has a reputation for being at the cutting-edge of capital markets regulation in Russia, and the past year has been no exception. At the time of writing, for example, the firm has been working alongside the International Finance Corporation, the Russian government and the Russian Federal Service on Financial Markets in an attempt to remove obstacles hindering Russian securitizations, and providing advice to the regulator on the best way to do this.

David Scott is the head capital markets lawyer in Moscow, and he heads a team that consists of two partners and four associates. Clients have included Merrill Lynch International, Dresdner Bank and ABN Amro, and the firm's deal roster shows it is equally comfortable advising on debt or equity deals, on the issuer or manager side.

In September 2004 the firm acted for lead managers ABN Amro and Merrill Lynch International in relation to a \$250 million Regulation S issue of loan participation notes by Kuznetski Capital to fund a loan to the Bank of Moscow, and the following month advised Efes Breweries International, the holding company for a CIS/Eastern European brewery group,

in relation to its Rule 144A and Regulation S offering of \$194 million-worth of global depository receipts lead managed by Credit Suisse First Boston.

Most recently, in March 2005 Baker & McKenzie acted for Dresdner Kleinwort Wasserstein in relation to its \$150 million offering of loan participation notes for the purpose of funding a loan to the Moscow Bank for Reconstruction and Development.

Key contact partners

Mitchell Gitin
David Scott

Debevoise & Plimpton

Holly Nielsen is the head of the capital markets practice at Debevoise & Plimpton's Moscow office, a firm that was recently seen advising Norilsk Nickel in relation to the sale of 5% of Norilsk through capital markets transactions led by UBS, including a \$350 million block sale of American depository receipts (ADRs) followed by a \$350 million placement of bonds, themselves exchangeable for ADRs.

Deutsche Telekom also turned to the firm for advice when T-Mobile – a subsidiary of Deutsche Telekom – sold a 15% stake in Russian mobile phone operator Mobile Telesystems. Nielsen advised alongside Alan Kartashkin on this \$1.7 billion deal. Debevoise also advised UBS on two first-of-a-kind derivatives transactions for total-return equity swaps based on Russian equities, and acted for Renaissance Capital as it issued rouble-denominated bonds for the Federal Mortgages Securities Agency.

Key contact partner

Holly Nielsen

LeBoeuf Lamb Greene & MacRae

LeBoeuf Lamb Greene & MacRae's capital markets practice is headed by Brian Zimble at LeBoeuf, and he oversees a team that includes four other partners.

Over the past year the firm has acted as issuer's counsel to Russian and Kazak groups of companies in connection with their initial public offerings on the Alternative Investment Market of the London Stock Exchange, acted as depository's counsel to Deutsche Bank Trust Company Americas on a sponsored Regulation S global depository receipt (GDR) programme for RAO Unified Energy System of Russia, a Level III American depository receipt programme for the Mechel Steel Group, and on several other sponsored and unsponsored Regulation S GDR programmes for Russian issuers, and represented a major shareholder of AO Enerjo on the Russian and US securities law implications of a restructuring plan proposed by Russia's RAO Unified System.

Leading lawyer

Brian Zimble

Key contact partner

Brian Zimble

Monastyrsky Zyuba Stepanov & Partners

Monastyrsky Zyuba Stepanov & Partners is one of the few purely domestic law firms conducting capital markets work in Russia. Alexander Zyuba is the practice area head, and his team numbers three lawyers.

In one highlight of the past year, Monastyrsky provided advice to Svyazinvest on the potential listing of its subsidiaries on international stock exchanges. Alexander Zyuba worked on the deal with colleague Mikhail Motritch and, at the time of writing, the outcome of the deal was pending.

Key contact partner

Alexander Zyuba

Mergers and acquisitions

Recommended firms

Tier 1

Freshfields Bruckhaus Deringer

LeBoeuf Lamb Greene & MacRae

Linklaters

White & Case

Tier 2

Akin Gump Strauss Hauer & Feld

Allen & Overy Legal Services

Baker & McKenzie

Clifford Chance

Tier 3

CGS&H Limited Liability Company

Chadbourne & Parke

CMS Cameron McKenna

Latham & Watkins

Norton Rose

Salans

Skadden Arps Slate Meagher & Flom

Tier 4

Andrey Goroditsky & Partners

Debevoise & Plimpton

Herbert Smith CIS Legal Services

Monastyrsky Zyuba Stepanov & Partners

Freshfields Bruckhaus Deringer

Jacky Baudon, Kirsten Floss and Dmitry Surikov head the M&A department at Freshfields Bruckhaus Deringer's Moscow office, which this year has seen the arrival of three associates: Boris Arkhipov, Ekaterina Dorokhina and Svetlana Mareeva, the latter of whom joined the firm from Yukos. In total, there are four partners and 21 associates in the M&A department, and they have secured the firm positions on the panels of numerous large international and domestic financial institutions and corporates.

Recent work has included advising ConocoPhillips on its Lukoil investment. This involved the acquisition of 7.59% of Lukoil's shares at a cost of \$1.94 billion. The team from Freshfields was made up of Jacky Baudon, Igor Gerber, Dmitry Lavrentiev, Olga Khokhlova and Svetlana Mareeva, and the deal was completed in late 2004.

A further transaction involved advising the aluminium manufacturer Alcoa when it acquired two manufacturing installations – the first at Samara and the second at Belaya Kaltiva – from Russian Aluminium Management. This \$257 million deal was completed in early 2005.

Foreign companies also came to Freshfields for Russian law advice over the past year, one of which was Wintershall, the large German oil and gas company. The deal involved setting up and developing a joint venture with Gazprom for the exploration and production of gas and gas condensate in the Urengoy field in western Siberia. The deal was valued at \$1 billion, and saw input from Freshfields lawyers Floss, Mareeva and Fedor Teselkin.

Over the past year Freshfields has also advised Severstal, the leading steel producer, on a series of matters, including the sale of a sea port for around \$200 million, and in relation to various joint ventures with domestic and international heavy industry manufacturers and energy providers. Dmitry Surikov helps to maintain the firm's excellent relationship with Severstal.

Key contact partners

Jacky Baudon
Kirsten Floss
Dmitry Surikov

LeBoeuf Lamb Greene & MacRae

Oleg Berger is the head of M&A at LeBoeuf Lamb Greene & MacRae, a firm that has, in the words of one market observer, "a developed practice."

The firm's client roster shows a varied sweep of clients, one of which was Victory Oil, which came to the firm for advice on the sale of its majority stake in Stimul, the gas exploration and production oil company. The sale was made to Gazprom and other investors, and drew on the talents of LeBoeuf lawyers Lynn McCaw, John Huhs and Vasilisa Strizh.

LeBoeuf also represented the principle shareholders of Wimm-Bill-Dann Foods, the domestic comestibles producer, in connection with the sale to Heineken of the Central European Brewing Company and its subsidiaries. Renault was another client, which the firm advised on its acquisition of a 26% share in Avtoframos. The purchase was made from the Moscow government at auction, and this acquisition brought Renault's shareholding in Avtoframos up to 76%.

Other clients that came to the firm for M&A advice were Swiss-listed funds ENR Russia Invest and Eastern Property Holdings, which required guidance on their \$50 million investment in a Russian retail project. Other clients include the Chinese National Petroleum Corporation, the Russian Oil Company, the Hungarian National Oil Company, Vneshtorgbank and Optima Telecom, the leading Ukrainian telecoms company.

Key contact partners

Oleg Berger
John Huhs
Vasilisa Strizh
Brian Zimble

Linklaters

Linklaters has a strong M&A practice that has succeeded in making the most of a booming Russian M&A market. Though of course the legal situation surrounding Yukos cast a pall over the domestic market, this did not deter international investors, nor did it deflect the Russian domestic industrial market from its move towards consolidation.

Linklaters advised Yukos on its merger with Sibneft, and advised a number of domestic entities including Alfa, ESN and Lukoil. In other standout instructions, RAO UES came to the firm for advice on a restructuring to fit with the current demonopolization of the Russian electricity sector, and the firm advised on the merger of Telia and Sonera's domestic data businesses, providing guidance on a number of regulatory, corporate and tax issues surrounding the merger. The deal involved input from Dominic Sanders, Kim Latypov, Yelena Savicheva, Julia Romanova and Victor Matchekhin.

The firm also counselled BP on its \$20 billion combination with TNK's Russian and Ukrainian gas businesses, which constituted the largest foreign direct investment in Russia to date. Linklaters went on to advise BP on its \$1.35 billion incorporation of Alfa, Access and Renova's 50% interest in Slavneft into TNK-BP. CFT Holdings, the corporate centre of the Alfa Group, was another client, relying on Linklaters for advice on the \$2 billion internal reorganization of the Alfa Group's telecoms assets.

Leading lawyer

Dominic Sanders

Key contacts

Dominic Sanders
Denis Uvarov

White & Case

Rounding out the top-tier firms, White & Case is regarded by clients as boasting a top-flight M&A practice that is led by Eric Michailov, Hermann Schmitt and Igor Ostapets. The buoyancy of the firm's practice is manifested in a recent recruitment drive that saw six associates join in a 12-month period, from law firms in London, Stockholm and Paris as well as from the Sputnik Group. These new appointments have brought the total number of practitioners to four partners and 21 associates.

The firm advised Intel when it hired 600 computer specialists, in doing so effectively doubling its Russian research capacity. This action drew upon White & Case's ability to advise on corporate acquisitions as well as intellectual property issues. Eric Michailov was the partner in charge of this deal, which was completed in May 2004.

Amerada Hess Corporation was another client, which White & Case advised on a \$25 million acquisition of Trabant Holdings International. Trabant owns ZAO Samara-Nafta, an exploration and production company in the Volga-Urals region. White & Case lawyer Marc Polonsky led the team on the transaction, which was completed in March 2005.

Other clients included Capital Partners, which sought advice over its \$50 million acquisition of the site of the former Intourist Hotel in Moscow, and was of particular note for being so close to the Kremlin. The deal was the largest private real estate acquisition ever seen in Moscow, and Ritz Carlton now plans to develop the site.

Key contact partners

Eric Michailov
Igor Ostapets
Marc Polonsky
Hermann Schmitt

Allen & Overy Legal Services

Edwin Tham is head of Allen & Overy Legal Services' mergers and acquisitions capabilities. Over the past year the practice has seen the departure of one associate and the arrival of another – Elena Shishmareva – meaning the number of practitioners has remained at three partners and six associates. From this practice group, two lawyers are US-qualified and three UK-qualified.

Early in 2005, Allen & Overy acted for Lukoil Finland when it acquired Teboil and Suomen Petrooli in Finland under the guidance of Peter Timchur and Nadia Russell. Heineken International was another client, and it came to Allen & Overy for advice on its acquisition of Bravo Holdings, famed for brewing Botchkarov beer, in a deal valued at around \$400 million. The firm also advised on the purchase of the Shikhan, PK Volga and Sobol-Beer breweries.

Other recent clients include Groupe Soufflet and Rusia Petroleum, which A&O counselled in connection with the Kovykta gas field development and cross-border (Russia-China-Korea) pipeline project. Andrei Baev and Anton Konnov advised on the deal, with an estimated value of \$18 million.

Leading lawyer

Edwin Tham

Key contact partners

Andrei Baev
Edwin Tham
Peter Timchur

Baker & McKenzie

Baker & McKenzie's M&A practice is based in St Petersburg and Moscow, and led by Sergei Voitishkin and Carol Patterson. The practice group consists of three partners and 17 associates, and was recently seen advising Sanoma Magazines on its acquisition of Independent Media, the largest Russian media company. Max Gutbrod and Alexey Frolov were the firm's lawyers advising on this €142 million (\$174.9 million) transaction, which was concluded in the spring of 2005.

Further clients of the firm include Scandinavian food producer Orkla, which the firm advised on the acquisition of several domestic food companies, and Emerson Electric, which sought advice on a share acquisition.

Baker & McKenzie boasts a varied and multi-talented team, whose partners can provide advice to clients in English, German, French, Portuguese, Swedish, Belorussian and Uzbek.

Key contact partners

Max Gutbrod
Carol Patterson
Sergei Voitishkin

Chadbourne & Parke

Chadbourne & Parke has taken full advantage of the recent diversification of the central and eastern European M&A market, reporting an increase in M&A instructions in Uzbekistan, Ukraine and Poland as well as Russia. The trend of companies making disposals to free up money out of stocks is happening across all sectors, but especially in the oil and gas, pharmaceutical, telecoms and retail fields.

For example, Chadbourne & Parke represented the International Finance Corporation in relation to financing the acquisition by Orient Express Hotels of a 93.5% stake in St Petersburg's historical Grand Hotel Europe. This \$125 million deal involved input from lawyers based in London and Moscow.

Chadbourne also advised Rosneft on a shareholder and operating agreement with British Petroleum regarding the Sakhalin V offshore oilfield. Moscow partners Shane DeBeer and Svetlana Sineva worked on the deal, which ran to several billion dollars. Other clients included Polyus, a subsidiary of Norilsk, and Golden Telecom, which the firm advised on the acquisition of a controlling interest in Buzton, an Uzbek telecommunications company, and the acquisition of Balticom, a Kaliningrad telecommunications company. These deals had a total value of \$9.7 million.

The firm's M&A partners are Laura Brank, Chris Owen and Shane DeBeer, who oversee an M&A department that draws on the talents of its eight associates. Chris Owen was a recent addition to the firm's Moscow office, joining the firm as a partner from Lovells' Moscow office, which he ran.

Key contact partner

Laura Brank

CMS Cameron McKenna

David Griston heads the M&A department at CMS Cameron McKenna, which has recently recruited a team of five individuals from law office Coudert Brothers, which recently shocked the law community by announcing (in August 2005) its intention to disband.

Recent clients of the firm include Alcatel, Deloitte & Touche, PricewaterhouseCoopers, NM Rothschild & Sons, and ABN Amro Bank. CMS conducts its business in Italian, French, German and English.

Leading lawyers

David Griston
David Marshall
Leonid Zubarev

Latham & Watkins

Last year Latham & Watkins landed a plum role representing the Mechel Steel Group, the domestic steel and mining company, in connection with the \$870 million disposal of its stake in the Magnitogorsk metal works. The firm also advised AFK Sistema on its rights in relation to Deutsche Telecom's \$1.73 billion sale of shares in Mobile TeleSystems, and went on to represent TeleSystems on its acquisition of Sibintertelecom, a leading cellular operator in the Russian region of Chita. The deal was valued at \$38 million and was overseen by Chris Allen. Allen also advised TeleSystems when it acquired a controlling interest in Uzdonrobita, the Uzbekistan telecoms company, for \$121 million.

Key contact partner

Anya Goldin

Debevoise & Plimpton

Debevoise & Plimpton's Russian M&A clients include United Heavy Machinery, which came to the firm for advice on its proposed merger with, and subsequent demerger from, Power Machines. Soros Fund Management also sought advice from Debevoise in relation to the disposal of private equity investments in the Russian telecoms industry.

Other work included advising the Novolipetsk Steel Group of companies when it acquired the St Petersburg Commercial Sea Port and the Tuapse Commercial Sea Port. The deal was overseen by Debevoise lawyers Dmitri Nikiforov, Anton Batirev and Yuri Babin.

Debevoise also advised the selling shareholders in connection with the sale of shares in the parent company of Multon Juice Manufacturing and distribution business. Multon Juice Manufacturing is the second largest juice brand in Russia, and it was sold to Coca-Cola in a deal completed in April 2005.

Key contact partner

Dmitri Nikiforov

Monastyrsky Zyuba Stepanov & Partners

Monastyrsky Zyuba Stepanov & Partners' M&A practice is headed by partner Alexander Zyuba. He leads a well-regarded team that consists of two partners and five associates. Clients of the M&A team include Telia, MTS, Stada Arzneimittel, PeterStarand and Norilsk Nickel.

Stada Arzneimittel came to the firm in connection with its acquisition of Nizpharm, the pharmaceuticals producer. This deal was worth \$110 million and involved providing advice to the firm on corporate procedures and restructuring. Monastyrsky also advised on the acquisition by PeterStar of the Pskov City telephone network, and represented the seller of a controlling stake in Penza-GSM to Smarts for \$300 million.

Key contact partners

Yuri Monastyrsky
Alexander Zyuba

Project finance

Recommended firms

Tier 1

Freshfields Bruckhaus Deringer

Linklaters

White & Case

Tier 2

Allen & Overy Legal Services

Clifford Chance

Tier 3

Baker & McKenzie

Chadbourne & Parke

CMS Cameron McKenna

LeBoeuf Lamb Greene & MacRae

Tier 4

Akin Gump Strauss Hauer & Feld

CGS&H Limited Liability Company

Herbert Smith CIS Legal Services

Jurinfлот International Law Office

Norton Rose

Salans

Freshfields Bruckhaus Deringer

Freshfields Bruckhaus Deringer's project finance team is headed by two respected partners, Michael Schwartz and Mikhail Loktionov. There are two partners and six associates in the team, which over the last 12 months has advised on a string of high-profile clients.

The firm provided advice to a large domestic chemical company on a \$160 million loan from a multilateral financial institution to upgrade an ammonia facility. White & Case acted on the other side of this deal, which was settled in late 2004. Jacky Baudon, Karen Young and Nikolay Seliakov also led a team that advised two multinational institutions on loans (worth €90 million and €42 million) to finance the construction of a medium-density fibreboard plant and a resin plant in the Moscow region.

In another highlight, WTE Wassertechnik turned to Freshfields for advice on the tender, construction and subsequent operation of a drinking water facility in Moscow, based on an investment agreement with the Moscow government. The €287 million (\$353.7 million) financing was provided by a German bank, which also benefited from Clifford Chance's expert advice.

At the time of writing, the firm was EVN on the tender and reconstruction of a waste incineration plant in Moscow, worth an estimated €290 million.

Key contact partners

Mikhail Loktionov
Michael Schwartz

White & Case

At the time of writing, White & Case was representing the export credit agencies, multilateral lenders and commercial bank lenders on the \$11.3 billion financing of Sakhalin II

LNG project. This vast deal is the largest of its kind ever seen in Russia, and involves a team of White & Case practitioners drawn from the firm's London, Hong Kong and Moscow offices. Aeroflot also came to the firm for advice last year, in relation to a \$300 million financial lease of eight Airbus aircraft. The deal was unusual because it was supported by three export credit agencies (ECGD, Hermes and Coface), and the financing was provided by BNP Paribas, Citigroup and WestLB.

Among the year's other highlights, White & Case advised the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development on the \$150 million financing of Russia's privately owned Sual's Middle-Timan mine, 250km south of the Arctic Circle, acted for the Russian Post on the SACE-backed financing by Commerzbank of the construction of the first modern automated mail sorting centre in Russia, and represented Ramenka in relation to four IFC financings totalling \$120 million to develop a chain of Ramenka hypermarkets, malls and supermarkets in Moscow.

The project finance practice's other clients over the past year include ExxonMobil, Gazprombank, Japan Oil and the Gas and Metals National Corporation.

Leading lawyer

Marc Polonsky

Key contact partner

Marc Polonsky

Chadbourne & Parke

Chadbourne & Parke has two partners and six associates working on project finance in Russia. From the team, two partners are US-qualified, and one is UK-qualified.

Recent work has included advising the International Finance Corporation and the European Bank for Reconstruction and Development in relation to a \$100 million loan to Pilkington Glass. In another deal highlight, the firm acted for Raiffeisenbank Austria on a \$43 million syndicated loan to the Romanov Development Group. This deal was the first syndicated credit facility issued to finance the construction of a class-A office building in Russia.

Key contact partners

Laura Brank

Shane DeBeer

LeBoeuf Lamb Greene & MacRae

John Hines heads up LeBoeuf Lamb Greene & MacRae's Moscow project finance team. This office works closely with the Kazakhstan office in Almaty, which this year spent long periods advising ExxonMobil on the \$4.4 billion TengizChevroil Phase II financing, which includes a \$3.3 billion bond issue and a \$1.1 billion loan.

The firm has also advised the Caspian Pipeline Consortium, which owns the 1,500km \$2.1 billion pipeline that stretches

from the Tengiz field in Kazakhstan to the Russian Black Sea port of Novorossiisk. LeBoeuf's Almaty office is preparing to assist with the financing of the anticipated phase two of the pipeline capacity expansion. The Moscow and Almaty offices have also joined forces to advise KMG, Kazakhstan's national oil company, on certain pending projects being pursued jointly with Lukoil.

Other clients include the China National Petroleum Company and various state-owned Hungarian oil companies. LeBoeuf is also present in various oil and gas upstream and midstream projects in Turkmenistan, Azerbaijan and Uzbekistan.

Key contact partner

John Hines