

BRICS SUMMIT

2013 DURBAN, SOUTH AFRICA



THE BRICS INTERBANK COOPERATION MECHANISM

In order to develop and strengthen economic ties and investment cooperation between BRICS countries, in 2010 state financial institutions for development and export support of the BRICS nations entered into a Memorandum on cooperation, thus creating the BRICS interbank cooperation mechanism. The Memorandum is mainly designed to promote all-round, long-term, interbank cooperation between partners in order to enhance trade and economic relations between BRICS member nations as well as provide support for socially meaningful and regional projects.

One of the main purposes of cooperation is to set up a scheme designed to provide financing and banking services for future investment projects that could be beneficial for the economic development of the BRICS countries.

The participants of the BRICS interbank cooperation mechanism are the Brazilian Development Bank (BNDES), State Corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)» (Russian Federation), Export-Import Bank of India, China Development Bank Corporation, Development Bank of Southern Africa (DBSA).

On the basis of agreements that have been signed within the framework of the BRICS interbank cooperation mechanism, the member banks have taken steps towards developing multilateral financial cooperation within the BRICS countries and created basic mechanisms for settling payments and financing investment projects in local currencies.

In the course of the official ceremony at the 6th BRICS Summit, interbank cooperation mechanism member banks signed an Agreement on Cooperation in innovations in the presence of Heads of State. The

Agreement provides for the BRICS financing development institutions to support innovation activity and would help to ensure sustainable growth and inflow of investments in infrastructure sectors of economy and in energy efficient and high technology manufacturing sectors.

One of the major partners of Vnesheconombank in China is China Development Bank (CDB) being a competent development institution. Vnesheconombank and CDB initiated and became active partners in the Interbank Association of Shanghai Cooperation Organization (estab-



lished in October 2005) and BRICS interbank cooperation mechanism (established in March 2010). The major line of cooperation between CDB and Vnesheconombank both in the context of multilateral mechanisms of interbank cooperation and on a bilateral basis is the implementation of collective investment projects.

Mutually profitable relationships between VEB and CDB have been underway within over 10 years now. «Ten years of cooperation between the two banks demonstrated mutual understanding upon our joint implementation of development projects and assisted in creating such multilateral formats as SCO and BRICS Consortiums. I believe that we have huge potential for promoting further cooperation», says Vladimir Dmitriev, Chairman VEB. Over the past period VEB and CDB have undersigned credit agreements for a total amount of over 10 billion US dollars. Among Russian financial institutions VEB is still one of the heaviest borrowers of China Development Bank.

VEB AND CDB COMMON PROJECTS:

With in the frameworks of the 18-regular Heads of Russian and Chinese Government meeting in Beijing held in October 2013 in the presence of Chairman of the

Government of the Russian Federation Dmitry Medvedev and Premier of the State Council of the PRC Li Keqiang VEB and China Development Bank undersigned a credit agreement amounting to \$ 400 million to fund the construction of the third unit of Ekibastuz GRES-2 power plant in the Republic of Kazakhstan. This project launched in 2009 shall meet growing requirement sin electrical power

and capacity for Kazakhstan as well as fill the shortage of electrical power in Russian regions of the Southern Urals, Western Siberia and Altai. The project total cost is 12 billion Russian rubles. Now it involves 400 skilled workers and by the time the unit is started (scheduled for 2017) it is going to involve 1200 workers.

In May 2014 in the course of the formal visit by Vladimir Putin to China CDB, China Development Bank Corporation, Russian VEB, Gazprom and Yamal LNG, JSC undersigned Memorandum on fundraising Yamal LNG project. China Development Bank Corporation shall be a common coordinator of cooperation with Chinese financial institutions. It is ex-

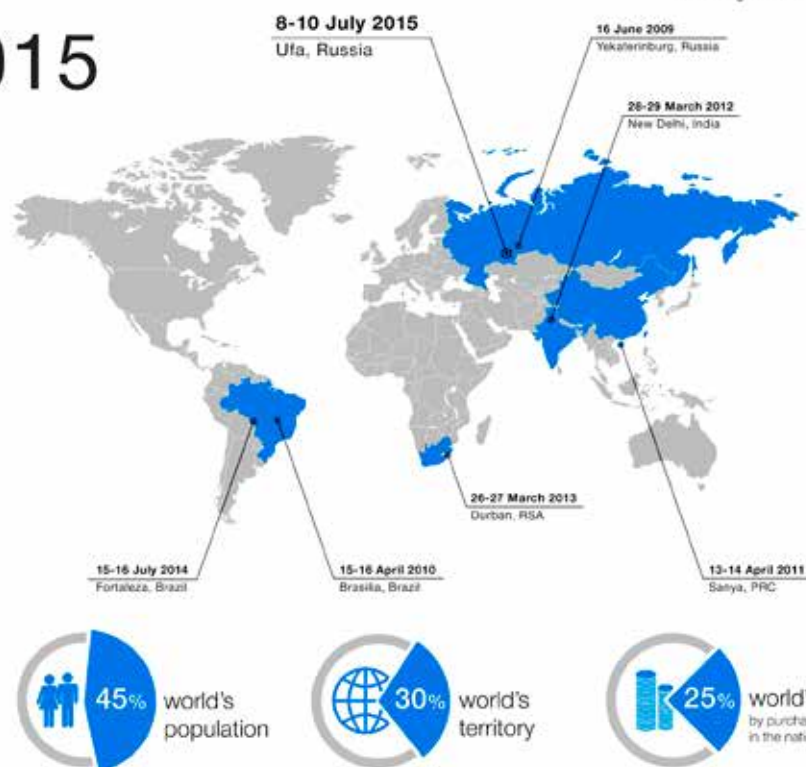
pected that for the project funding credits will be obtained at Chinese banks for a term of 15 years. Yamal LNG project envisages LNG (liquefied natural gas) plant having a capacity of 16.5 million tons per year to be based on resource potential of South Tambei field. The project is being implemented by Yamal LNG, JSC shares of which are held by NOVATEK, JSC (60%) Total (20%) and CNPC (20%).

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Russian and Chinese development banks also cooperate in the field of Russian social programs. In autumn 2014 VEB Chairman Vladimir Dmitriev, CDB Chairman Zheng Zhijie and Agency for Housing Mortgage Lending (AHML) Director General Alexander Semenyaka have under signed Memorandum of funding AHML programs. Two programs, i.e. "Housing for the Russian Family" and "Leased Housing" shall involve the total funding of 135 billion rubles for a term of up to 25 years for 25 million square meters of low-income housing to be built.

Such housing is to be sold at a price that is 20% lower than a market one but no more than 30 thousand rubles for a square meter. At present,

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THE NEW DEVELOPMENT BANK

VEB Chairman Vladimir Dmitriev: «The New Development Bank is to be opened at the end of this year. It will be headquartered in Shanghai. It should be noted that our Bank's employees will be posted in Shanghai and work for this bank under agreements with our partners – BRICS countries development banks. As part of BBRICS, there is a consortium of BRICS countries development banks and it goes without saying that we are cooperating with them to transfer to payments in national currencies. I don't think there will be a turmoil in the international monetary system but there is no doubt our countries intend to withdraw from payments in dollars and euros. We have already signed an agreement with China on foreign exchange swaps and it will enable us to make payments in national currencies. Regional centers for bank payments and support for regional projects are being created. In general, all these efforts are aimed at establishing a center for international payments in South-East Asia. And this forms if not an alternative to the IMF and the World Bank but a major financial structure. This center is designed to form up a stable, sustainable financial system, which is to create an alternative to the current system based on the dollar and euro».

AHML is considering an opportunity for cooperating with Chinese construction companies and it is determined to study CDB's business experience in funding affordable housing construction in China.

The program of Russian chairmanship of BRICS (in Ufa city) involves se-

ries of activities with regard to security, foreign cooperation, information policy, economic and humanitarian cooperation. Financial activities are managed by Russian VEB.

The major part of activities shall be held in Moscow, Beijing and Ufa. Thus, in April Expert Meeting of BRICS financial organizations will be held in Moscow. In July under Shanghai Cooperation Organization and BRICS summits Vnesheconombank is to coordinate annual meeting of the heads of BRICS banks as well as BRICS and Shanghai Cooperation Organization Financial Forum in Ufa.

Development of cooperation with Brazilian financial institutions is prevailing for Vnesheconombank in order to promote Russian economic interests in Latin America and in BRICS format. The bank cooperates with all prominent Brazilian financial institutions including Banco do Brasil and Banco Nacional de Desenvolvimento Econômico e Social (BNDES). All this allows for wide range of interbank payments. The corresponding agreement on cooperation have been signed; country limit for conducting operations with Brazil and limit of documentary operations with Banco do Brasil have been set.

To involve more banks which could be potential participants of mu-

tual payments made in national currencies, with in the frameworks of Intergovernmental Russian and Brazil Commission of commercial, science and technical cooperation a Working Party for interbank cooperation was established in October 2010.

The priority of Russia and Brazil an Working Party is intensification of partnership between Russian and Brazil an financial institutions including working out popular interbank mechanisms for operations to be executed, i.e. setting liability limits, working out issues of mutual correspondent account so pening and managing, under signing memorandums of cooperation, extending credit facilities etc., as well as considering the possible Vnesheconombank participation together with authorized BRICS financial institutions to manage bilateral payments in Brazil an reals and Russian rubles.

In 2012 under BRICS interbank cooperation mechanism, where Vnesheconombank and BNDES are authorized financial institutions of Russia and Brazil, currency exchange Master Agreement and Agreement of acceptance of letters of credit were signed. ✍

Dmitry Kozevnikov