

Merrill Lynch enters Russia

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Merrill Lynch, a major U.S. company in the financial services industry, recently announced that it has acquired about 10% of the Trust Banking Group.

Analysts have called this deal a landmark for two reasons. First, new key player has emerged in the Russian market and, second, Merrill Lynch has come to Russia after sustaining heavy losses in the mortgage crisis in the United States and is probably looking for a quiet harbor.

Not much is known about the deal. Two or three months ago, a Trust shareholder decided to quit and asked Merrill Lynch to sell his stock. It transpired that Merrill Lynch decided to buy the stock itself. The sum of the deal has not been disclosed but analysts believe that it is unlikely to be huge: in the third quarter the Trust assets went down and the bank moved from the 69th to 101st place in the rankings of the Interfax Center for Economic Analysis (Interfax-CEA).

Experts think that Merrill Lynch will stand to gain from this deal anyway, if only because its long-standing dream, to work in Russia, is coming true. Last March, it received a three years' license for its subsidiary in Russia, which entitles it to act as a broker and dealer. This step was interpreted as evidence of the desire to come to Russia and it was expected to buy stock there. As we see now, this forecast was correct.

Probably, if the situation were better, it would take Merrill Lynch more time to make this move. But now the timing is right considering that Russia has practically remained immune to the U.S. mortgage crisis; its banking business is highly profitable and the financial situation is stable. Like many other large national banks, Merrill Lynch has suffered multibillion losses in the United States and the worst headaches are yet to come. Indirectly, this is clear from a recent statement by Federal Reserve Chairman Ben S. Bernanke. He warned that the U.S. economy could seriously slow down because of the mortgage crisis and a new round of inflation, which might be provoked by record oil prices and the weak dollar.

In the worst-case scenario, success in Russia will not help Merrill Lynch, particularly because the funds, which it has invested into business here, are incomparable to its assets in the American and European markets. But if the scenario turns out to be not as bad, the U.S. brokerage firm may find the Russian market comfortable, especially since it has enough room for maneuver.

Most likely, Merrill Lynch will actively work in the investment and banking sectors. Its experience, connections and handsome resources may well allow it to oust major Russian banks and its traditional rivals, such as the Morgan Stanley bank, which has operated in Russia for several years now.

It is also quite probable that Merrill Lynch will go into private banking in Russia. It will have to compete against many rivals, including both Russian banks and foreign subsidiaries. Analysts believe that the customers will be attracted by the proud name of the American group and its world reputation despite the recent negative developments.

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