

Russia banks to be barred from state rescue package for loan abuse

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Russian banks that have received state loans during the current financial crisis but converted them into U.S. dollars will be barred from the government's rescue package, First Deputy Prime Minister Igor Shuvalov said on Thursday.

"We have drafted a law. It could be submitted to the State Duma [the lower house] today. The Central Bank will have additional authority to check how money received as state support is spent," Shuvalov said.

The move comes after Prime Minister Vladimir Putin said earlier this month that some banks had transferred government bailout money to offshore accounts instead of giving it to the intended recipients.

President Dmitry Medvedev said on Tuesday as the financial crisis deepened that the government could spend more than the previously planned \$200 billion on stabilization measures.

Russia has been hard hit by the global financial crunch that began with the subprime mortgage crisis in the United States last summer and has quickly spread to the rest of the world.

The country's stock market has lost around 70% of its value since May, and the Central Bank has spent billions of dollars to prop up the ruble, which is sinking amid economic turmoil and falling oil prices.

Speaking at a news conference, Shuvalov said the government had come under pressure from members of the business community that opposed its efforts to shore up the ruble.

"We have come under serious pressure from business and financial experts over a drop in the ruble's exchange rate," Shuvalov said, adding however that there would be no drastic alteration in its exchange rates and that speculation to the contrary had no grounds.

He also said the government was set to review state projects and state-run organizations' investment programs in a bid to streamline spending amid the crisis, but added that transport and energy infrastructure projects would not be subject to revision.

Shuvalov said spending cuts would not concern preparations for a 2012 APEC summit in Vladivostok, in Russia's Far East, and for the 2014 Winter Olympics in the Black Sea resort Sochi.

He also backed a proposal made by Putin at a ruling party congress earlier on Thursday to cut taxes. Shuvalov said the tax cuts would allow the Russian economy to save 556 billion rubles (\$20.2 billion), or 1.1% GDP.

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