RUSSIAN PARTICIPATION AS AN OBSERVER IN THE COMMITTEE ON FINANCIAL MARKETS

(Note by the Secretariat)
1. The Committee considered the Russian Federation’s request to be granted observer status in December 1998 and, again, at its plenary session of 29 October 1999. In its report to Council [see C(99)192, paragraphs 4-5], the Committee:

".... noted that delegations remained concerned about the persistence of major structural weaknesses in the banking and securities areas. Though noting that the Russian Federation clearly had the potential to be a “major player” in the financial area, several delegations expressed doubts as to whether this criterion would be fully met at present in view of Russia’s participation in world financial markets and the degree of its integration into the international financial system. With respect to the criterion of “mutual benefit”, the Committee was divided. Some delegations agreed that Russia’s participation in its work could contribute to supporting the authorities’ efforts to modernise the Russian financial system. However, other delegations expressed concerns about the state of development of the Russian financial markets as well as the performance of Russian officials in past meetings with the Committee. These delegates expressed the view that Russian observers would not be likely to contribute much to the activities of the Committee.

Following this exchange of views, the Chair drew the conclusion that there was no consensus on a positive opinion. In accordance with Council’s guidance, the Committee also reflected on other forms of ad hoc co-operation with the Russian Federation and decided that Russian officials could be invited to participate, in 2000, in the discussion of the Committee’s Tour d’Horizon on developments in financial markets, on an ad hoc basis, as well as in financial outreach meetings dealing with topics of relevance for Russia. The Committee agreed to revert to the question of Russian participation in the Tour d’Horizon at the end of next year. Several delegates stressed that continued participation in the Tour d’Horizon should be made contingent upon a favourable assessment of the performance by Russian officials in the meeting.”

2. In a recent letter to the Secretariat (see Annex), the Russian authorities have reiterated their interest in observership in the Committee on Financial Markets.

3. In light of the conclusions reached in October 1999, the Committee is invited to revert to the issue of observership with a view to determining whether a consensus can be reached on proposals to be made to the Council on one of the following options:

(i) Grant observer status to the Russian Federation;

(ii) Extend to the year 2001 the present arrangement whereby Russian officials are invited to participate in the discussions of the Committee’s Tour d’Horizon;

(iii) Agree on other forms of ad hoc co-operation with the Russian Federation.

4. Delegates are reminded that recommendations to the Council should be made in the form of a technical opinion regarding the participation of non-Members in the work of the Committee. An "operational guide" for dealing with observership requests can be found in Secretariat note DAFFE/CMF(98)52 ("Guidance Document on Participation of Non-Members in the Committee on Financial Markets and its Subsidiary Bodies").
ANNEX 1: LETTER FROM THE RUSSIAN AUTHORITIES TO THE SECRETARIAT

28 June 2000

CENTRAL BANK OF RUSSIAN FEDERATION
(BANK OF RUSSIA)
DEPUTY CHAIRMAN

Subject: Potential Russian Observerships in the OECD Committee on Financial Markets

Dear Mr. Burgeat,

Let me first of all express personally and on behalf of the authorities of the Central Bank of Russia our deep appreciation and sincere gratitude for the assistance your estimated Centre renders to Russia as a non-Member economy in its intention to co-operate much closer with the OECD.

You certainly know that strengthening of this co-operation corresponds with the strategic line in international economic policy of the Russian government to join the OECD in a reasonable timeframe in the future.

Being acquainted with the rules and disciplines, traditions and practice of the OECD on the matter we understand that the way to reach this goal for Russia is, first, to become an observer in as much of the OECD committees and other working bodies as practically possible according to economic needs and interests, both of Russia and Member states.

Russian government occasionally announced earlier its priorities as far as working bodies of interest are concerned. Russia has already received the observer status in a number of them. We on our own side, as the CBR, support intentions of our government and primarily confirm our willingness of observerships in the Committee on Financial Markets.

With this in mind we are still waiting for a relative decision of the Committee on Financial Markets as a result of its meetings in 1998 and 1999 specifically devoted to Russian financial policy and market.

Would this awaiting decision be positive it will be an important step forward in Russia-OECD relationships which will undoubtedly help us to succeed in reform and restructuring process of our financial sector, including its legislative and regulatory framework, provided that it is one of the key elements of a future economic programme of the new Russian government to be considered and adopted shortly.
I am aware that further helpful assistance from and co-operation with your Centre related to ongoing restructuring process of Russian financial sector could be regarded as one of the major fields of common interest for Russia and the CBR, on the one hand, and the OECD, on the other. No doubt, we could identify jointly concrete topics for such co-operation and assistance bearing in mind budget implications for the OECD.

Yours sincerely,

[signed: V. GORYUNOV]