



THE UK AND ITS FINANCIAL MARKETS

**Essential Information for FSU and Other
Emerging Markets Companies Wanting
to Raise Finance in the UK**

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Wanting to Raise Finance in the UK

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EDITORIAL

TREVOR BARTON

The PBN Company, London

This guide is intended to be of practical use to companies coming to the UK to raise finance, to find business partners, or perhaps to seek new markets for their products.

It is not a textbook. It does not cover every possible issue, nor does it contain all the answers. It is not legal advice.

It is however focussed, readable, thought provoking and brief. Look upon it as a stepping-stone to help you take your business to the international markets.

I have been fortunate to receive contributions not only from my colleagues at PBN but also from a number of colleagues in the London business community. Some are members of The PBN Company's Board of Directors. I am grateful to them all. I would encourage you to contact our contributors directly, if you need more information regarding their particular areas of expertise. Or contact us at PBN and we will help. We have the expertise, enthusiasm, language skills and knowledge of your country — and of ours — to do that.

I hope you find the guide useful.

See you in London!

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Through its offices in London, Washington DC, Moscow, Kyiv and Riga, The PBN Company advises and assists companies, both from the West and from the former Soviet Union ("FSU"), to develop their businesses. The PBN Company also works for Governments, for Government institutions and for NGOs. The firm's particular areas of expertise are financial communications, strategic planning, reputation management, government affairs, and crisis management.

DOING BUSINESS WITH GREAT BRITAIN

SIR ANDREW WOOD

formerly British Ambassador to the Russian Federation, Member of The PBN Company Board of Directors

The United Kingdom and the Baltic States, Ukraine, Russia and other countries of the FSU are close enough, and have enough experience of each other, to delude their business executives into thinking too readily that they also understand each other better than they do. That trap is all the more easily laid because they usually get along rather well, and laugh at pretty much the same sorts of thing (not always: Russians love their *anekdoti*; the British cannot match them). This guide is intended to help those approaching the UK market, or in the early stages of establishing a position in the UK, and my introduction is intended to encourage readers to look more closely at the expert notes which follow.

There are plenty of publications advising foreigners how to do business in the countries formerly bound together in the USSR, but as far as I know precious few designed to help those looking the other way.

Let me start with something banal, but often forgotten. If you look at a British map it is, not surprisingly, centred on the UK. The UK is however a small and elongated shape on a map produced in Moscow, somewhere way over to the top left. *The moral is that our businesses do not think of each other as often as they do about their nearer neighbours. And in the British case, there is the further pull of countries around the world with which we have had a long and often intimate relationship.* Newcomers to our cities are sometimes surprised by the mix of peoples in our streets. British business has paid far more attention to India, China, Australia or the United States, and is far more involved with its partners in the European Union, than it is with countries further to the East.

This is changing, but it means that those coming to Britain are coming to a highly competitive market. There are two principal lessons to be drawn from that: first, get the pitch right; and second, choose your point of entry into the market well. If you do, there is profit to be made, not just in Great Britain, but by using a presence in the UK to operate on the wider stage.

Each case is different, and it is well worthwhile talking through your best selling points with qualified advisers. Large-scale conferences and so on can be useful in feeling out the ground, but it is a common observation that the level of foreign attendance is

"British firms are often less dominated by their leaders than those which have evolved from a Soviet tradition"

both larger in number and more senior in rank than the British. Those making their pitch at such meetings also commonly make the mistake of reading from notes of far too great a length, containing more statistics than the audience can possibly absorb. Presenters sometimes include too many proposals for cooperation, several clearly without any substance and just included to make an impression.



Doing advance research, and focusing on one or two real prospects, is the right way to proceed. Before asking to see the top representatives of your target, prepare the ground with their juniors, and particularly their local representative, if they have one in your country. British firms are often less dominated by their leaders than those which have evolved from a Soviet tradition. *And the higher you go up the corporate tree, the more likely it will be that the person you meet will have formed a general rather than a fully developed impression of your country, drawn as likely as not from the mass media.* That is less true than it was a few years ago, but it is always better to take into account that you will know far more about what you can offer than the person to whom you are talking — and far less of course of what it may be that your potential colleague can do for you, and with you.

It is also important to bear in mind that our negotiating styles are different. The British do not typically go for the maximum, and stick with it to the last minute, and down to the last detail, which negotiators from a formerly Soviet background often do. This can be exasperating from the British point of view, and it is a common British finding that working with such partners can take up a disproportionate

amount of management time. That can be all the more so if what has been understood by the British to have been a final agreement, set out in a clear contract, is seen by the other side as merely the opening position for the next negotiation.

There are, of course, many sectors where there has been a growing relationship, particularly in recent years. Shipping, energy, metallurgy and some retail products are all examples. Developing further cooperation in areas with a previous history will perhaps be easier than in some other sectors. There is no reason, however, why the well-prepared pioneer should not succeed, but the stress has to be on being well prepared. Offering all the elements of the Mendeleev Table will not achieve anything. Selling through a process exploiting one of them might.

Be prepared also to tackle questions about reputation. Possible British partners need to know the full background to your property rights, just as you need to know as much as possible about them. The better your CEO's reputation, the more seriously his or her interest in working with British partners or in the UK market will be taken. If your purpose is to attract UK investment into your country, again that will very much apply.

You can get information and help from Chambers of Commerce, from your country's Embassy and as appropriate from the British Embassies too. The internet is a valuable tool. The Russo-British Chamber of Commerce is active, as are other bilateral Chambers. The Confederation of British Industry has regular meetings with its Russian counterparts, and has developed relations with other countries too. The more detailed notes which follow provide further guidance as to where for instance the City of London can help. The PBN Company itself exists to work for you.

No booklet like this can give you all the answers. Each case is different. Each requires its own solutions and strategies. But the information in this guide will set you firmly on the right course.

Andrew Wood

BACKGROUND ON THE CITY OF LONDON AND ITS FINANCIAL INSTITUTIONS

CHRISTOPHER GOODWIN

International Financial Services, London
("IFSL")

In the world of international financial services, London leads

London is a global financial centre and the pre-eminent international financial centre in Europe. It delivers all the products and services necessary to support the financial transactions and business objectives of major FSU companies and organisations. International finance available in London covers all the key fields of banking, insurance, securities, derivatives and fund management. FSU institutions can also draw on the wide-ranging professional expertise found in London on issues such as pension reform and public/private partnerships.

London is also home to more global corporate financial services headquarters than any other European city. Many of the international financial services out of London are provided by well-known American and European investment banks, insurance companies and fund managers.

Overall, financial services represents a crucial component of the UK economy, accounting for more than 5 percent of GDP and generating employment for more than 1 million people. While London is both an international centre and also central to the UK financial services industry, Scotland is an important European financial services centre in its own right, particularly in the provision of banking, fund management, pensions and life insurance.

In New York and Tokyo, the other main financial centres, a large volume of business is sourced from their domestic markets; but London is the truly global player. *London's leading role in the international financial services industry arises from a long history of openness, with relatively easy access to markets and a tradition of welcoming foreign firms, supporting a trading culture which dates back to the time over a century ago when the UK was the dominant world trading country.*

That trading culture also favours innovation — which in turn is spurred on by the range and depth of expertise and experience available. London's leading position is also due to its very high concentration of essential skills: high quality professional and support services, access to world class linguistic skills, and an unparalleled level of professional expertise in the financial services industry. Other factors include:

"The trading culture also favours innovation — which in turn is spurred on by the range and depth of expertise and experience available"

- ▼ A high concentration of firms in one location contributing to economies of scale. Improved flows of information and the concentration of support services all help to reduce costs.
- ▼ Legal, accounting, actuarial, management consultancy and IT support, with five of the 10 largest law firms in the world being international law firms based in London. Many also have offices in the FSU, particularly in Moscow.
- ▼ Substantial physical assets, particularly office accommodation and an efficient telecommunications infrastructure.
- ▼ The use of English, with businesses also able to access a wide range of other languages, including Russian, from the international community in London.

The UK is renowned for its proportionate approach to regulation, which encourages innovation. This has been further facilitated by the establishment of the Financial Services Authority. The FSA is the single regulator of financial services, the first of its kind in the world and a much-envied model.

All these factors have combined to make London the leading player in global financial markets.



The figures speak for themselves:

- ▼ Cross-border bank lending out of London reached \$3,092bn in December 2003. Russia was the largest destination for lending in Central and Eastern Europe, with borrowings of over \$6bn.
- ▼ Turnover in foreign equities listed on the London Stock Exchange (LSE) totalled \$1,470bn in 2003. The three Russian oil companies listed accounted for trading totalling \$23bn, a total that was only exceeded amongst LSE listings from emerging markets by South Korea.
- ▼ Turnover in the foreign exchange markets in London averaged \$753bn a day in April 2004.

London's role as an international financial centre is evidenced in its leading share of many of these markets, an issue highlighted by Alan Greenspan, Chairman of the US Federal Reserve Board:

“The City of London has a long tradition of leading the world in foreign exchange trading and currently conducts twice the volume of New York despite the fact that

the U.S. dollar is the leading traded currency by far in foreign exchange transactions. London is the world's centre for over the counter derivatives trading — again with double the share of the trading in similar instruments conducted in New York. Moreover, a substantial share of the world's securities trading is channelled through the City.

*“London has stayed on top in the provision of financial services despite the emergence of the euro, which some expected would divert a significant share of foreign exchange trading to a single centre on the continent. **Although financial sector activity in Frankfurt has increased substantially in the past few years, largely reflecting the growing importance of the euro, trading volumes there are still well below those of London and New York.**”*

London also offers the most comprehensive range of specialist maritime services in the world, covering shipbroking, legal services, finance, insurance, ship classification, dispute resolution and publishing. The UK is the global leader in marine insurance, with 19 percent of the world market. Indeed, the international insurance market began in London and much of the business there is administered through the Lloyd's market. Other important maritime organisations include the Baltic Exchange and Lloyd's Register. Key customers of maritime services include a sizeable international community resident in London, particularly from Greece but also with an increasingly large element from Russia and other FSU countries.

International product expertise in London

There is a wide range of international product expertise in London which IFSL is involved in promoting, including:

- ▼ **Pension reform:** Legal advisers, pension providers, fund managers, actuaries and tax and financial consultants based in London have provided advice on the reform of pensions in Russia and Eastern Europe, as well as other regions such as Asia and Latin America. UK expertise is founded on the development of a large UK pension industry with funds managed totalling some £1,000bn.
- ▼ **Privatisation:** The UK's innovation in privatising industries in public ownership has resulted in hundreds of privatisations in more than 100 countries around the world, with global proceeds totalling around \$1,100bn. So far, about 30 companies have been privatised in Russia with a market value of over \$2bn. International law and accounting firms and investment banks based in the UK have provided input and advice to many privatisations worldwide.
- ▼ **Public/private partnerships (PPP):** London is a leading centre of expertise in PPP, with legal and financial advisers, banks and contractors based in London and the UK having developed expertise that can be applied to any situation. This has been largely based on more than 500 signed PFI projects in the UK

with a value of £24bn. In Russia, the first PPP contract was for buses in St. Petersburg, and municipal officials in Moscow are seeking advice on the development of PPP in the Russian capital.

- ▼ **Private wealth:** London's reputation and status as an international centre for wealth management has grown over the past 20 to 30 years. The value of private client securities managed by banks, fund managers and stockbrokers in the UK totalled £294 billion in 2003.

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IFSL is the only independent cross-sectoral organisation in the UK facilitating the promotion of financial services internationally. IFSL helps the UK financial sector to build on its lead, reinforce its global image and develop its services in the international marketplace. It also facilitates contact between UK financial services providers and companies from abroad.

RAISING FUNDS IN LONDON

JAMES VARANESE

Clyde & Co

The UK offers companies a wide variety of financing options — some more traditional, some more easily accessible than others. The primary sources of finance are:

- ▼ **London Listings (Corporate Finance / Equities)**, such as initial public offerings (IPOs) of securities on the London Stock Exchange (LSE), including the exchange for smaller companies operated by the LSE and known as the Alternative Investment Market (AIM).
- ▼ **Eurobonds (Corporate Finance / Bonds)**
- ▼ **Bank Finance (Loans)**, offered in many “flavours” such as syndicated finance, project finance, commodities trade & structured finance, and asset finance.
- ▼ **Private Equity / Private Placement**, in which investment funds, professional investors and high-net worth individuals purchase equity (shares) in a venture as financial investors, not as strategic investors. In private equity / private placements, the equity (shares) of the company raising finance is not listed on any stock exchange.

"As with securing funding from other sources, obtaining bank finance is essentially a matter of persuasion"

For companies from the former Soviet Union, each has advantages and disadvantages. This article provides an overview of each and focuses on the requirements imposed on companies seeking access to these funding mechanisms.

London Listings (Corporate Finance / Equities)

A company may either float on the Official List of the London Stock Exchange (the Official List) or on the Alternative Investment Market (AIM).

Alternatively, a company may seek an introduction to OFEX (a separate market, generally favoured by companies with a smaller market capitalisation than those on AIM) or to various other more specialised markets.

There are numerous benefits to be gained from listing on the London Stock Exchange, including: access to London's extensive capital markets; the opportunity

to raise funds and to issue shares with a value recognised by the market; widening a company's shareholder base; creating greater liquidity in a company's shares; and raising a company's profile with its customers, financiers and international investors. Furthermore, establishing a public market in a company's shares and a listed share price makes employee share ownership schemes more attractive to employees, helping the company to retain good staff.

Information Memorandum: If a company is largely unknown in the London market, the first step should be to produce a short information memorandum, setting out brief details of the company's background, business, financial record and cash flow and management and shareholder structure, as well as its reasons and suitability for listing. The information memorandum also introduces the company to potential professional advisers and professional investors.

Methods of Listing: There are three primary ways a company can list on the London Stock Exchange. The method used will depend upon the company's business, its shareholder base and its capital requirements.

- ▼ **Public offer:** The Sponsor offers the company's shares to private and institutional investors. The offer is often "underwritten" — institutions agree to purchase any shares which are not taken up pursuant to the offer for an underwriting commission. It is the most expensive method of listing, but it is often the best means to raise large amounts of capital and to increase liquidity in the company's shares. The public nature of the offer will also significantly raise the company's profile.
- ▼ **Placing:** The Sponsor offers the company's shares to a selected group of largely institutional investors. This allows the company to raise capital, but with lower costs and more freedom to select potential shareholders, although the more limited range of shareholders can lead to less liquidity in the company's shares.
- ▼ **Introduction:** The company simply joins the market without raising any capital. This is usually the most straightforward and least expensive method of obtaining a listing.



The Official List and AIM — Comparison

The rules governing companies listed on the Official List are set out in the Listing Rules of the UK Listing Authority (UKLA). The rules applicable to companies quoted on AIM are contained in the AIM Rules of the London Stock Exchange. Both markets accept foreign companies. Both the official list and AIM require that the listed company be incorporated as a Public Limited Company (PLC) in the UK. Thus an FSU company will need to restructure existing assets or companies, so that the UK listed company is, essentially, a holding company.

The Official List is more expensive than AIM, and has more onerous disclosure and ongoing obligations than AIM, but it provides a higher level of publicity, more interest from outside investors, more opportunities to raise funds and greater liquidity in a company's shares.

In general, an AIM listing is much more flexible and, if the company has not traded, no audited financial statements are required.

	The Official List	AIM
Broker	There is no requirement to appoint a broker. However, most companies do so.	The company must appoint a broker, approved by the London Stock Exchange.
Trading Record	A three-year trading record is usually required. If more than six months have elapsed since the end of the last financial year, interim (half-yearly) accounts are required to be published.	There is no requirement for a company to have a minimum trading history. If the company has a trading history, audited accounts for the last three years (or such shorter period as the company has a trading history) must be published. If more than nine months have elapsed since the end of the last financial year interim (half-yearly) accounts are required to be published.
Minimum Market Capitalisation	The company's market capitalisation must be a minimum of £700,000.	None.
Shares in Public Hands	A minimum of at least 25% of securities to be listed.	No minimum stipulated but a proportion of sufficient size to generate liquidity in the shares is advisable.
Accounting Standards	Accounts must normally be prepared and audited to US, UK or International Financial Reporting Standards.	Accounts must normally be prepared and audited to U.S., UK or International Financial Reporting Standards.
Independence from Substantial Shareholders	A listed company must demonstrate that arrangements are in place to ensure that the listed company can operate on an arm's length basis, without undue influence from a shareholder holding 30% or more of its shares.	No similar requirement, but a Nominated Adviser is likely to ensure that appropriate arrangements are in place to ensure the independence of the company.

Advisers: A listing usually requires the company to retain advisers. These will include Sponsors for an Official Listing or Nominated Advisors (“Nomads”) for an AIM listing. Other advisers include accountants, UK lawyers, financial communications/IR firms, brokers, and share registrars. Companies should anticipate that the total fees for advisers will be in the range GB £200,000 to GB£800,000.

Reverse Takeover: A “reverse takeover” (RTO) is a fast and streamlined method by which a private company with a viable business becomes a public company listed on a stock exchange. A high percentage of listed companies used this method. In an RTO, the original public company is usually a “shell company” with no real assets (other than its minimum charter capital). The shell company has met all of the regulatory requirements and is listed — this is its value. The next step is for the shell company (with no real assets) to recapitalize and issue shares to acquire the private company (with a viable business and real assets), giving shareholders and management of the private company majority control of the shell company. The shell company now has new assets, new shareholders and new management.

Insiders — Restrictions on Dealing: Directors and applicable employees must comply with the Model Code, which provides that they may not deal in the company's shares prior to the publication of the company's annual or interim results (or quarterly results, if the company produces them) or at any other time when they have unpublished price sensitive information in relation to the company.

Other Securities Sold Via the Equity Capital Markets: In addition to IPOs and secondary offerings which involve company shares, other types of securities can also be sold by a company to raise funds from the equity capital markets, including convertible bonds, rights issues, monetisations, and corporate derivatives.

Eurobonds (Corporate Finance / Bonds)

An FSU-based or other company might also raise funds by issuing Eurobonds with the assistance of underwriters in London. Other types of “fixed-income” securities such as treasury bills, commercial paper and repurchase agreements are also underwritten in the London markets.

Many types of companies may issue (or “float”) Eurobonds, including private corporations, banks and financial institutions, sovereigns, parastatals (i.e. state-owned companies) and public authorities (such as municipalities).

Not all Eurobonds are listed on a stock exchange. For a Eurobond to be listed on the London Stock Exchange, a document referred to as the “listing particulars” must disclose relevant information for potential investors. The listing particulars and the information disclosed must comply with the requirements of the FSA and the regulatory body, the UK Listing Authority.

Using an SPV for Tax Purposes: A Eurobond for an FSU company might be issued through a newly established special purpose vehicle (SPV), often in a jurisdiction with a favourable tax treaty relationship with the target group of investors, to achieve tax efficiencies and other legal objectives. The SPV then lends the proceeds to the operating entity.



Lead manager: The lead manager of a Eurobond is customarily an investment bank or other respected financial institution, such as Goldman Sachs, Solomon Smith Barney, CSFB, Merrill Lynch and Morgan Stanley. The lead manager oversees the issuance in all its phases until receipt by the issuer of the funds raised by the sale of the Eurobonds. Importantly for the issuer, the lead manager should optimize the structure and timing of the issuance to ensure a successful sale of all of the offered Eurobonds.

Fiscal agent or Trustee: Eurobond issues have either a fiscal agent (under a fiscal agency agreement) or a trustee (under a trust deed), but not both. The legal effect differs. The fiscal agent represents the issuer and not the bondholders, and undertakes to facilitate payments to the bondholders of principal and interest. Although appointed by the issuer, the trustee represents the interests of the bondholders. The trustee (unlike the fiscal agent) owes the bondholders a “duty of care” under common law trust principles. A trustee for a Eurobond will be a professional trust association or a subsidiary of a bank or other financial institution, whose special purpose is acting as a trustee.

Documentation: Issuing Eurobonds is a document intensive process. Key documents include:

- ▼ The informational papers concerning the underwriting, subscription and distribution of the bonds (i.e., mandate letter, invitation telex, listing particulars or other offering document, subscription agreement, auditor's report and consent letter, legal opinions, etc.).
- ▼ The contracts for the bonds themselves (i.e., fiscal agency agreement, temporary global bond, permanent global bond, deed of guarantee, deed of covenant, etc.).

Bank Finance (Loans)

There are many “flavours” of bank finance, and seeking advice from a qualified financial adviser is helpful. Bank finance includes syndicated finance, project finance, commodities trade & structured finance and asset finance.

The major UK commercial banks such as HSBC, Barclays, Lloyds, and National Westminster are familiar bank lending institutions because they have branches on most high streets (and thus are known as “high street banks”). They are joined in London by the other major banks (known as “money centre banks”) such as Citibank, ABN Amro, and ING Bank. The high street and other money centre banks provide the full range of lending. These and a number of other banks have strong corporate finance and commodities trade finance lending departments.

Merchant banks began in the 18th century as trading houses. Due to their original business of accepting bills of exchange, they are sometimes referred to as “accepting houses.” These banks advise their clients (mainly corporate) on how to arrange financing. Merchant banks do not customarily lend their own funds. Their advice includes raising capital (e.g. through issuing securities), underwriting a securities issue, managing investments, and M&A advice. Some merchant banks have now entered the PE financing arena. Merchant banks include Rothschilds, ING, Hambros, Kleinwort Benson, Lazards and SBC Warburg Dillon Read.

As with securing funding from other sources, obtaining bank finance is essentially a matter of persuasion. Borrowers need to persuade the lender that their business plan and financial forecasts are reliable. Banks assess the risk associated with a borrower's proposal, e.g., whether the proposed business has capacity to repay the debt. Thus, banks typically seek financial statements and other information on the potential borrower, in order to prepare “cash flow” models and other internal credit analyses of whether a project or borrower or transaction is creditworthy (or “bankable”).

Private Equity / Private Placement

Private equity (PE) and venture capital is capital provided by full-time, professional firms (venture capitalists) or by private persons who invest with management in companies with the potential for significant growth. PE finance might be suitable for companies that (i) are willing to sell equity in their companies to outsiders; (ii) have high growth prospects; (iii) seek investment capital in excess of GB£250,000; and (iv) have a clearly defined exit strategy.

A number of investment funds and very substantial investors specialise in private equity, where typically they take an equity stake in a venture as financial investors (not usually as strategic investors). Well-known private equity firms include: AIG, Icap, CMC Group, Brunswick, Finsbury, CVC and Russell Investment Group.

Private equity or “PE” means investing in the shares (equity) of a company that is not a public company on a listed stock exchange. If the company is relatively new, then the term “venture capital” is sometimes used to describe an investment into the company. For more mature companies, the term is simply “private equity,” especially if the investor is an experienced investor or PE fund.

Because a "venture capital" or "private equity" investment involves a company not listed on an exchange, any investor who later wishes to "cash out" must either find a buyer (another PE investor, or list shares via an IPO, or sell to a strategic investor) or recapitalize the company to free up cash.

"Venture capital" or "private equity" investment takes into account the entire "life cycle" of a company, from concept to mature company. A seed-stage company is one with not much more than a concept; a start-up company is one that is already in business and is developing a new product but has not sold it in significant commercial volumes; and a first-stage company has developed and market-tested a product but needs greater capital to initiate full-scale production. Second-stage, third-stage and mezzanine financing is for growing companies; and bridge-financing is often used to support a company while it is between rounds of financing, often while it waits to launch an IPO (hence the term "pre-IPO"). The newer the company and its product, the greater the risk, and the higher the expected return.

In addition to injecting cash into the company, the PE investor or venture capitalist is likely to add considerably to the credibility of the company and to supply management expertise, support and access to contacts. As part of their monitoring of their investment, PE investors often require board membership.

In contrast to bank finance, PE investors and venture capitalists are not looking for repayment, but for an equity stake. They typically look to realise their investment within 3-6 years. This means the investor needs to plan a realistic "exit strategy," for example, a floatation on a public market (IPO), a trade sale (to a strategic investor), or for their stake to be bought out by company management (MBO).

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Clyde & Co is an international law firm which provides a full range of legal services, including advice to clients on fundraising on the London markets.

INTERNATIONAL FINANCIAL COMMUNICATIONS

TOM BLACKWELL

The PBN Company, London

'It is very vulgar to talk about one's business. Only people like stockbrokers do that, and then merely at dinner parties.'

– Oscar Wilde

There was a time when Oscar Wilde was right, a time when talking about one's business was viewed as inappropriate or vulgar. However, recent commotion over transparency, disclosure requirements and Sarbanes Oxley has prompted wholesale changes in international business practices and etiquette. Not only is it no longer vulgar for company managers to talk about their business, the market demands it.

As a result, companies increasingly have to pay attention to the ways in which they communicate with their stakeholders. In fact, those who allocate insufficient resources to developing and implementing a sound communications strategy, do so at their peril. For companies who are publicly traded, or even those that simply depend on external finance, carefully planned and executed financial communications are essential.

It can't be haphazard. Gaining attention of international investors, financiers and journalists is not always easy — particularly for emerging markets companies, who don't always carry the same weight as their global counterparts.

Gaining Global Recognition — Trials of a Small Fish in a Big Pond

There is no denying that companies from Russia, Ukraine, other FSU countries and the Baltic States face something of an uphill battle when it comes to attracting the attention of London and its financial institutions. Firstly, these companies not only face competition from within their own region, but also from other emerging markets such as China, India and Brazil.

Secondly, with the notable exception of the major natural resources groups, the majority of companies coming out of the FSU looking for finance are relatively small in comparison with their global industry peers. Companies are often overlooked by

"No independent consultant can or should replace senior management in communicating the company's core mission and strategic outlook"

banks and investors purely on account of their size, not to mention the perceived risks of exposure to emerging European markets. For the same reason, international media coverage can be hard to come by.

So how can companies overcome these obstacles? Experience shows that it is insufficient simply to send out press releases to the media, or company statements to analysts and investors. The approach needs to be more creative and more aggressive.

Become a spokesperson for the industry, rather than simply the company

Take, as an example, the Russian retail sector. To be frank, even a comparatively large and successful Russian retail company will struggle to generate international interest on its own. However, the retail sector as a whole is internationally regarded as a major growth area in Russia and one that could offer impressive returns on investment for many years to come. The CEO of a retail company will stand a much better chance of getting international coverage by positioning himself as an authoritative source of information on the sector as a whole (which carries global appeal), rather than merely a spokesperson for his company (the global appeal of which is more limited).

Understand and capitalise on the company's — or country's — advantages

As competition for international funds escalates, so does the need for companies to think carefully about their competitive advantages when they approach potential investors. For example, the number of investments made on valuation grounds alone is decreasing, while the appetite for growth stocks is increasing. This is an area where many FSU and Baltic companies — particularly those in the consumer sectors — should capitalise. There has been a marked increase recently in the number of international investors looking for the best play on the region's consumer growth.

Ken Baksh, portfolio manager with the Strategic East European Fund, points out that *“institutional investors are increasingly looking to tilt their asset distribution towards the consumer sector. Apart from the obvious growth potential to be imparted by an expanding, wealthier consumer society in Russia, a number of companies in this area do not suffer from the same political, corporate governance or 'Soviet baggage' that may weigh more on traditional 'old' Russian companies.”*

The commitment of senior management — key to making financial communications work

Independent communications advisors can play an important role in supporting and making more effective a company's communications strategy. However no independent consultant can or should replace senior management in communicating the company's core mission and strategic outlook.

Analysts and investors require access to senior management, particularly at the level of CEO and CFO. This is especially true for public companies or companies that are close to a public listing. Often, senior managers have to make themselves available for several weeks per year to satisfy investor demand.

Managing expectations — another fundamental aspect of financial communications

It is imperative for companies to manage the expectations of the markets and its stakeholders. All too often, companies paint an overly rosy picture of their prospects in an attempt to impress. However, this strategy is at best risky, and at times disastrous. Serious followers of any company will be aware of the risks and challenges that lie ahead. It is the responsibility of a company's senior management not only to acknowledge the risks, but also to explain what measures are being taken to address them. A denial approach will immediately undermine potential investors' confidence.



Investor relations — pre and post-IPO

It is a common mistake to think that a company does not need to have an active investor relations and outreach programme until after it goes public. In reality, companies that plan to IPO in the future can benefit greatly by liaising with the investment community from an early stage. Investors can provide invaluable feedback on the type of products in which they would be interested. They can also help a company to assess the way it is perceived in the market, and enable the company to redress any concerns, before it is too late.

Accessing these investors is of course another matter. Fund managers have a limited amount of time to devote to any company — particularly small, private companies. For this reason, companies should use all resources available to them, from their broker to investor relations advisors, so as to access and develop relationships with as broad an investor base as possible. Time spent soliciting the opinions of a range of investors can potentially have extremely positive implications for a company's share value and liquidity.

Developing a financial communications strategy — practical considerations

- ▼ **Corporate Website:** An informative and well designed website will play a vital role in a company's overall communications effort, particularly when it comes to reaching smaller, private investors.

- ▼ **Key Contact Database:** Companies should compile and maintain an extensive database of key contacts; including investors, analysts and media. By doing this, a company can better regulate its communications with all major stakeholders.
- ▼ **Company Presentations:** In addition to showing company financials and drivers, presentations should also reflect wider determinants for their company's growth, including general market trends, industry dynamics, and strategic growth plans. Senior managers giving the presentations must be selected carefully on the basis of knowledge and presentation skills. If necessary, companies should invest in special training.
- ▼ **Media Monitoring:** The impact of media reporting on a company can be enormous. For this reason, it is essential that companies have an effective media monitoring system in place. This will enable them to get maximum value from positive reports and to respond effectively to any negative reports.
- ▼ **Media Training:** Dealing with the media and using them effectively to convey key messages is a skill, which can be taught. Any company that wishes to be in the public eye must ensure that all of its senior managers are well versed in dealing with the media, and should consider undergoing media training.

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A CLOSER LOOK AT IPOs

DAVID HERBERT

ING, Member of The PBN Company's Board of Directors

Companies and their shareholders consider publicly offering their equity in the form of shares to third-party investors — by means of an Initial Public Offering (IPO) — for a variety of reasons:

- ▼ **Financing Growth.** Many of the companies considering an IPO have reached a stage where they have strong expansion opportunities but are constrained by existing financing channels — debt capacity has been reached, or the finance on offer is inadequate or expensive (i.e. private equity funds). An IPO can enable companies to take advantage of these opportunities quickly as opposed to waiting to finance expansion through organic growth. In cases where a company has expensive debt, IPO proceeds may also be used for refinancing as well.
- ▼ **Providing an exit for existing shareholders.** There is no formal limit on the proportion of such 'secondary' shares that can be sold in an IPO. Shareholders will need however to take into account investors' preference for providing capital for growth and the negative marketing signal that is conveyed in an IPO if founding or other major shareholders are seen heading for the exit.
- ▼ **Crystallising the value of the company.** An IPO provides a supply of publicly traded securities that can be used as acquisition currency and to incentivise management via option schemes.
- ▼ **Signalling the maturity of the company.** An IPO sends strong signals to the market, competitors, and the issuer's various stakeholders that the company has come of age in terms, variously, of its market position, corporate governance and disclosure practices. This motivation is particularly apparent when the issuer chooses to list on one of the leading international stock exchanges, such as the New York or London Stock Exchanges (NYSE & LSE) or NASDAQ.
- ▼ **Acquiring prestigious international institutional investors as shareholders.** These investors tend to hold their positions for a reasonable length of time rather than indulge in short-term speculative behaviour. They can also be useful as protection against domestic government interference. For example,

"An IPO sends strong signals to the market, competitors, and the issuer's various stakeholders that the company has come of age"

institutional investors' voluble concerns probably helped to discourage the removal of frequencies from newly listed MTS in 2000. They do not seem to have helped Yukos much however. Such institutions also seldom exercise their voting rights. They 'vote with their feet'.

- ▼ **Improving the company's international visibility and perceived status.** An NYSE or LSE listing gives additional credibility, particularly when competing in international markets.
- ▼ **Applying peer group pressure.** An IPO helps a company keep up with or get ahead of business rivals.

New Issue Profile

There are no hard-and-fast rules about the profile of a successful IPO. There are, however, some guidelines:

- ▼ As the main objective of an IPO is often fund-raising to grow the business (new shares), investors do not like to see the founding shareholders selling. They are willing to accept some 'cashing-in', but this should be modest; no more than, say, 10-15% of the total offering.
- ▼ The offering size should be US\$50 million or more, to attract the interest of international institutions. The larger the 'free float', the more attractive the IPO will be to institutions who buy in US\$5m-US\$10m tranches and who value the ability to trade freely in and out of a stock. Smaller IPOs are of course possible, but fewer investors will be interested and the valuation of the equity may suffer.
- ▼ Issuers should aim to offer at least 25% of their post-IPO market capitalisation to investors. A holding of 25% + 1 shares constitutes a blocking minority in the Russian Commercial Code. Although international investors rarely exercise their voting rights, the existence of such a stake in the public market underlines the issuer's commitment to the protection of minority rights.
- ▼ Issuers must present a compelling investment case. This will comprise, inter alia, a credible growth story — dividends are not an issue — and a management capable of delivering it.
- ▼ Issuers should 'leave something on the table' in terms of value. This is always a tricky issue. Investors will only invest if they see some upside in the price they pay for the shares. Issuers naturally wish to maximise their proceeds. The result has to be a compromise or the deal will fail.

Some key considerations

An IPO involves presenting the company and its management, strategy, performance and prospects to potential investors in as clear and credible manner as possible.

Regulatory requirements for new issuers differ across listing authorities. Broadly, the listing requirements of the Russian, Ukrainian and other exchanges tend to be less onerous than those of the US and UK capital markets. However, these requirements tend to converge internationally over time and the closer a new issuer can comply with international best practice the more likely its offering will be a success.

To comply with best practice, a new issuer will need to:

- ▼ Produce consolidated accounts to international standards (IFRS or US GAAP), usually for a three-year period and audited by an international accounting firm. For groups that have formerly been organised around a core of individual shareholders, with each holding differing stakes in subsidiaries, the consolidation exercise can take many months, even years.
- ▼ Provide potential investors with a high, and probably initially uncomfortable, degree of disclosure about the companies' shareholders, organisation and business. This information is presented to investors in the form of a prospectus or offering memorandum, drawn-up by legal advisers to the issuer but the accuracy of which is the issuer's legal responsibility.
- ▼ Establish an investor relations function to manage the flow of information to the market and regulators after the IPO and to protect the companies' management from the sometimes insatiable demands of analysts and media for news.
- ▼ Establish good corporate governance practices, designed fundamentally to protect minority shareholders' rights. These include the appointment of independent directors, preferably a majority of the board, and the establishment of compensation and audit committees. In the early stages, these 'new' practices can be perceived as an irritating constraint on the original shareholders' and management's freedom of action.



Listing Location

This aspect of an IPO normally receives far too much attention. In essence, the decision is a simple one. The key issues are where the stock will receive the best coverage by equity research analysts and who the main international investors are likely to be. In most cases the answer for Russian, FSU and Baltic corporates is a dual list-

ing; in the home market (RTS or Micex for Russia) to ensure membership of the relevant index and research coverage and simultaneously on the LSE or NYSE to capture the Global Emerging Markets investors. For deal sizes of US\$50m or less, a local listing will probably suffice.

Both the LSE and NYSE listing processes offer similar assurances of an issuer's quality and compliance with international standards of disclosure and corporate governance. The LSE process is, however, significantly cheaper than that of the NYSE and involves less legal exposure for the issuer's shareholders and management than does the NYSE. Many Russian corporates have turned to the LSE as the international issuing location of choice following the enactment of the Sarbanes-Oxley law in the US.

Timing & Process

An IPO is a complex and time-consuming business. IPOs are very seldom completed in under 6 months and, in emerging markets, they can take considerably longer. Over a year is not unusual. The pace is normally set by the restructuring process, designed to create a listable corporate vehicle, and by the need to produce consolidated audited accounts. With restructuring and accounts in place, an IPO can normally be completed within 3-4 months, market conditions permitting.

The main activities occurring in this 3-4 month period are:

- ▼ *Due diligence* on the company by investment bankers and legal advisers to produce an indicative valuation range for the offering and an offering circular for distribution to potential investors.
- ▼ *Regulatory approvals* from the local listing authority — in the case of Russia, the Russian Federal Service for the Financial Markets (FSFM), and in the case of the UK, the London Listing Authority.
- ▼ *Forming a syndicate* of other local and international investment banks to supplement the marketing process and post IPO trading and research coverage.
- ▼ *Production of research* on the offering by the banking syndicate's equity analysts, giving an independent view of the merits of the investment case.
- ▼ *Marketing of the offering* via a 'roadshow' involving mainly one-on-one meetings between management and investors. This normally takes up to 2 weeks and involves visiting a number of international financial centres to present the investment case.
- ▼ *'Bookbuilding'*. During the course of the roadshow, the banks' salesforces contact potential investors and elicit orders for the shares on offer and price sensitivity. At the end of the roadshow, the banks will thus have 'built' a book of demand at various price levels (like an economist's demand curve).

- ▼ *Pricing and allocation.* The price of the offer and the allocation of shares to the new investors are agreed, on the basis of the book of demand, in negotiation between the lead bank(s) and the issuer.

Cost

An IPO is an expensive business. Typically, the investment bank's fees are paid on the basis of success only and are quoted as a percentage of the amount raised in the offering. This percentage varies according to the size of the offering. Fees of lawyers, accountants and communications advisors as well as hard costs, such as printing and roadshow expenses, must be added. Depending on the complexity of the deal, these costs can significantly increase the overall bill.

Advisers

To complete an IPO, an issuer will need to appoint a number of advisers. The key advisers include:

- ▼ An investment bank, to lead and co-ordinate the entire process from planning through to completion (see below).
- ▼ Legal advisers to assist the issuer to prepare the offering circular, to advise it on its legal exposure, to communicate with listing authorities etc. It is customary, in the larger deals, for the investment bank leading the deal also to appoint a legal adviser to protect its interests.
- ▼ A firm of auditors to produce the accounts in the appropriate format and provide a disclosable opinion on them.
- ▼ A financial PR firm to orchestrate a media campaign to prepare the market for the forthcoming IPO.

The role of the investment bank

This is the most critical appointment. The mandated investment bank — 'Lead Manager/Global Co-ordinator' — leads and co-ordinates the whole IPO process through to completion and beyond. In particular, the investment bank:

- ▼ Advises the prospective issuer on offering structure, maximisation of value, market conditions and timing.
- ▼ Assists in the selection and appointment of other advisers.
- ▼ Establishes and manages the deal timetable and liaises with regulators and the other advisers.
- ▼ Assembles a syndicate of banks, if necessary, to market the deal.

- ▼ Manages the marketing and sale process of the offering.
- ▼ Advises the issuer on the pricing and allocation of the offered shares.
- ▼ Assists in the formation of a stable and liquid market for the shares.
- ▼ Provides regular post IPO research coverage on the company.

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ING's office in London is in the heart of the City. It has also had an office in Russia since 1992. One of ING's specialisations is the provision of investment banking services to its Russian clients.

BUILDING BUSINESS NETWORKS IN THE UK

GODFREY CROMWELL

Russo-British Chamber of Commerce

An important (yet often overlooked) aspect of any emerging markets company's approach to the UK and its financial markets is to develop a solid network of contacts within the UK business, financial and government communities.

Whether the company's goal is to raise finance, find strategic partners or expand its business into the UK — taking the time to build relationships and find allies within business and regulatory circles should be considered one of the first steps of a successful market entry strategy.

“Why is this?”

First, these relationships can provide the company and its management with deeper insight into the UK and its customs and business practices. Always keep in mind that attitudes and practices in one place can sometimes differ greatly from those in the wider world. Learn from the mistakes of so many Western companies, who continue to march into Russia with their resolutely Western approach, and fail to take time to appreciate the *zagadochnaya russkaya dusha*.

Second, in more practical terms, any company coming in to the UK will inevitably (even if unfortunately) need to call on the services of banks, law firms, insurance companies, consultants and/or other service providers. Given this, it is worth spending time developing relationships throughout the professional services sectors, in order to make an informed decision when assembling an advisory team.

Third, the course of successful entry into the UK markets never did run smooth. Inevitably, companies gearing up for cross-border expansion or public equity offerings can stumble upon unforeseen challenges — legal, regulatory or otherwise. Challenges which cannot always be overcome by expensive City lawyers. As in any country and any market, having good contacts and allies in various circles (banking, legal, government, etc.) can prove invaluable.

The good news is that in order to initiate this relationship building process, companies do not need to spend a large amount of money. There are a number of organisations and associations that can be a useful and inexpensive source of introductions.

"The good news is that in order to initiate this relationship building process, companies do not need to spend a large amount of money"

The UK Government, through its agency UK Trade & Investment (UKTI), runs a network of advisers for foreign companies entering the UK market (and vice versa). A good starting point is the Commercial Section in the British Embassies in the various FSU countries (in Russia the Consulates in St Petersburg and Ekaterinburg also have commercial staff). The UK also has specialists on your countries and on the various industry sectors in UKTI's headquarters in London. Finally, UKTI representatives work in many of the regions of the UK, usually located in the offices of the local "Business Links", which sometimes share premises with the local Chambers of Commerce.



The local Chambers of Commerce themselves are very helpful, providing direct links into companies in the UK regions, across the whole range of industry sectors. You can contact them direct. Or you could ask one of the commercial officers in the British Embassy in your country to assist you in establishing contact. The London Chamber of Commerce is particularly noteworthy as it by definition represents a significant number of large businesses based in and around London, and thus easily accessible from airports served by flights from the FSU. But there are direct air connections from FSU airports to some of our regional airports as well, so you should certainly also consider

forging links in and around the UK's regional centres, including of course in Scotland, Wales and Northern Ireland.

Bilateral Chambers of Commerce exist specifically to foster business relations between the UK and your country. The Russo-British Chamber of Commerce, of which I am the Executive Director, was formerly the "British Soviet Chamber of Commerce", before that the "Chamber of Commerce between the British and Russian Empires" — so as you can tell our Chamber has a long history. It has, notwithstanding political changes, continually and successfully provided a mechanism for businesspeople from each country to meet each other and to establish commercial relationships. We publish a monthly newsletter and a weekly bulletin, and we organise conferences, seminars and trade missions. Clearly I am far from being an objective observer, but if your company is from Russia I would encourage you to consider joining! Similar Chambers exist between the UK and Kazakhstan, the UK and Latvia, and the UK and Ukraine. See the "Contacts" section at the back of this guide.

Finally, a useful way to increase your network of contacts in the UK is to identify the Trade Association which co-ordinates the industry into which, for example, you wish to sell your goods. Or, if you are a company seeking finance, you should consider

contacting International Financial Services London, the umbrella organisation for the City of London's financial services providers. The most substantial "Trade Association" in the UK is of course the Confederation of British Industry (CBI). In nearly all cases, these Trade Associations have an international outlook, particularly now that the UK is very much part of Europe and subject to European legislation. They arrange seminars, meetings and publicise information to their members.

I wish you good luck in building your business networks. We are a small island, but we are not as insular as we might seem! We would like to get to know you!

Godfrey Cromwell

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The Russo-British Chamber of Commerce (RBCC) exists to facilitate trade between Britain and Russia. Member services include the provision of a monthly business digest, in-depth regional and company profiles, exhibitions, conferences and up to the minute Russian business advice. See www.rbcc.com

USING THE UK BUSINESS PRESS, AND OTHER WAYS TO RAISE YOUR COMPANY'S PROFILE

TREVOR BARTON

The PBN Company, London

The UK has a long and proud tradition of objective, analytical business journalism. From the flagship *Financial Times*, perhaps the most highly regarded and widely read business daily in the world, through the business sections of the national daily newspapers, to the myriad newsletters and bulletins published by the Chambers of Commerce, Trade Federations and consultancy firms, a huge volume and variety of high-quality information and analysis is made available both within the UK and internationally.

Objectivity is key if an article is to be published, let alone read. Much is made in the UK of the political leanings of various newspapers — and this may be obvious if editorials in *The Daily Telegraph* are contrasted with those in *The Guardian*. However, generally speaking, the political persuasions of the editor or owner of a newspaper do not spill over onto its business pages. Equally, there is no tradition in the UK of the “paid article” about a company (inevitably focussing on its successes) which is unfortunately seen all too often in FSU printed media. In the UK, journalists write articles, and editors accept articles for publication, based solely on their newsworthiness.....well, almost.

All this means that if you want to obtain some publicity for your company in the UK national press, and you want that publicity to be good (perhaps as part of a campaign to raise investor awareness), then:

- ▼ run a successful company in a proper way;
- ▼ make news; but
- ▼ (unless your company is a world leader) realise that a journalist may find the idea of writing an article about your industry more interesting than one about your company...however that does open up the possibility of your company being featured as a success story, or a source of information, within the article.

One key factor, often not appreciated by businesspeople from the FSU, is that the readership of the key UK financial newspapers and journals is largely comprised of the investment and financial community. Journalists know that these readers have little time, and therefore little interest in private companies. Readers want the latest

*"Be brave — break
the mould — grab
people's attention
with a novel
approach"*

news about publicly-traded companies. Why? To make informed investment decisions. So a major announcement by a substantial public company, which is likely to have an effect on the company's valuation, will immediately find space in all the major financial journals. An announcement by a relatively small FSU company from a region unknown to the UK business community (even some very clever people in the City of London are quite ignorant about the geography of the former Soviet Union) will not.

Strategic News Media Relations

So even if you are Gazprom, Lukoil or Mr Abramovich, there is really no point in just sending a press release to 20+ UK journalists and relying on it being published. Your approach has to be much more sophisticated and much more strategic.

- ▼ Hire a good specialist communications agency — one that not only understands how the UK press works, but also has some knowledge of your business and your country.
- ▼ Ensure you have an excellent “press pack” available (information in English, written by a native English speaker, up to date, imaginatively presented statistics, etc.). Yes, this will cost some money to produce, but without one you may as well not start your campaign.
- ▼ As noted above, be prepared to give a general perspective on your country and/or your industry as opposed to focussing solely on your company. The UK press has been full in recent years of rather negative articles about Russia and the FSU. The cynic would say that only negative news sell newspapers. But the tide is turning, and as the countries of the FSU continue to emerge onto the world stage, so readers and editors will have a greater appetite for more positive articles which combine a general message with a particular story — and that story could be yours.
- ▼ With the help of your advisers, pitch the right story to the right publication. *The Financial Times* is not the only medium through which you can convey your messages. If you are a manufacturing company or a trading company looking to build business relationships, perhaps consider as a first step placing an article in the journal of the Trade Federation which co-ordinates your industry in the UK? For another type of business from the FSU it may for example be more useful to get something published in *Business Voice*, the magazine published by the Confederation of British Industry. For some companies, a combination of approaches may work — national financial newspapers, trade publications, perhaps even the lifestyle media.
- ▼ Use contacts in the investment community to refine and develop your messages — the analysts have valuable insider knowledge on what the market wants to know and how a story is best positioned. If you yourselves are not able to penetrate this somewhat closed world, talk to people who already have the contacts.

Not Just Traditional Media — Or Media Alone

The Chambers of Commerce within UK, both the bilateral Chambers such as the Russo-British Chamber of Commerce and the regional Chambers, also publish useful and widely read Bulletins, and any press relations campaign should certainly include approaches to their editors. They are often very receptive to ideas for articles focussing on developing markets and up and coming companies with whom their members may form liaisons.

There are also other strategies for raising the profile of your company in London. Strategic speaking opportunities, institutional advertising, targeted sponsorships and other strategic communications programmes can also heighten the awareness of your company among analysts and investors. These programmes can help to

define your company, and even more important, raise the profile and credibility of your management team.

A subjective, non-exhaustive, list of the key national business newspapers and journals, ranked in descending order based on the space and focus they devote to business matters, follows:

The Financial Times
The Times
The Daily Telegraph
The Sunday Times
The Independent
The Independent on Sunday
The Guardian
The Observer



And some of the key business magazines, in the FSU context, are:

The Economist
Euroweek
Institutional Investor
Businessweek
Newsweek
Russian Investment Review

Wire services include:

BBC
Reuters
Bloomberg
Sky

European Press Agency
Financial News

And television & radio:

CNBC
Bloomberg
CNN Business Europe
BBC

Business Conferences

Over the last few years, the number of business conferences / seminars /summits / fora devoted to Russia, Ukraine and other CIS markets has increased faster than the Chelsea FC wage bill. The region's business people could certainly be forgiven for allowing the onset of conference apathy. However, it should be kept in mind that events of this nature (at least the good ones) can be extremely useful occasions for people to develop new contacts and raise the profile of their companies.

I therefore list below some of the better established, and generally well attended, conferences devoted to the region. You should at least be aware of them, even if participation is not always practicable. It is not an exhaustive list. Dates and venues are subject to change. Expect a sharp increase in the number of Ukraine-related events in 2005-2006.

Sachs Bloomberg Russia / CIS Investment conference, March, New York
Adam Smith Ukrainian Investment Summit, March, London
Russian Economic Forum, April, London
RBCC UK-St Petersburg Investment conference, Spring, St Petersburg
Renaissance Capital Russian Equity conference, June, Moscow
RBCC Russian Business Summit, June, London
Brunswick UBS Russian Equity conference, September, Moscow
Sachs Bloomberg Investing in Russia & CIS, Autumn, London
Russian Investment Symposium, November, Washington DC / Boston

Taking maximum advantage of conferences

The key is to get yourself on the speaking platform. These days, that may involve sponsoring an element of the conference programme. Conference organisers want to make money too. It is in my view unfortunate, but a reality, that in choosing a speaker list they often favour those who are prepared to sponsor the event.

That aside, let us presume you are given a speaking slot. How do you take maximum advantage ? How do you deliver the key messages about your company ? How do you ensure a queue of people wanting your business card at the end of your presentation ? Whole books have been written about public speaking. Space here limits me to passing on my *Ten Golden Rules*:

- ▼ Keep your presentation short — definitely do not overrun your allotted time.
- ▼ Be enthusiastic — if you do not seem interested, the audience definitely will not be.
- ▼ Engage the audience — establish eye contact, ask rhetorical questions, etc.
- ▼ Be brave — break the mould — grab people's attention with a novel approach.
- ▼ Use your Powerpoint presentation (if you must have one) as a tool, do not be a slave to it.
- ▼ Practice beforehand, but not so often that you lose spontaneity.
- ▼ Speak much slower than you normally would — especially if you are being interpreted.
- ▼ Avoid masses of numbers / graphs / statistics and impenetrable Powerpoints. If you are apologising (“this slide may be hard to see from the back”), you should not be using it.
- ▼ DO NOT READ a pre-written presentation, especially if the audience can simultaneously read it in the conference materials.
- ▼ If in doubt, get some tuition — some people are naturals, but all can improve with assistance.

PBN can help.

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LONDON'S INSURANCE MARKET — HOW IT CAN WORK FOR YOUR COMPANY

JAMES COOPER

Tysers

Insurance plays an important role in world trade. It enables businesses to trade with greater confidence and venture their capital more freely than would otherwise be possible.

Why? Because it provides protection against unforeseen losses. This means businesses can invest in the knowledge that they have financial security even if, due to unexpected circumstances, they can no longer benefit from their assets. An example: banks will not discount a bill of exchange unless the goods are insured. The insurance certificates issued are used by banks as collateral security so they may release funds.

So insurance provides two main benefits. First, increased confidence because risk is transferred. Second, improved access to finance. In the case of Russia and the rest of the FSU, where access to capital is limited, effective utilisation of insurance enhances local companies' ability to raise capital and thus to compete internationally.

The London insurance markets

London is the centre of the global insurance industry due to high levels of expertise and an innovative approach to insuring a wide variety of risks. The two key markets are:

Lloyd's of London, which is an insurance market, not a single company. Insurance business is underwritten through different syndicates, each offering different types of insurance. Lloyd's has a worldwide reputation for flexible and innovative underwriting. If you wish to insure a risk in Lloyds, you must appoint an accredited Lloyd's broker.

The multinational insurance companies, which are individual companies with underwriting offices throughout the world, such as AIG, QBE or ACE. They recognise London as a global financial centre, so base a substantial part of their business here. They have the capacity to underwrite a broad spectrum of risks.

There are of course also insurance companies in the UK who limit their activities to the home market and who promote themselves on the basis of their specialist local knowledge.

"Insurance provides two main benefits. First, increased confidence because risk is transferred. Second, improved access to finance."

Insurance is a highly regulated industry in UK, and companies can insure risks here with confidence. Notwithstanding that, the rating of a particular insurance company is of key interest to potential policyholders. Ratings for insurers are supplied by, in no particular order, AM Best, Standard and Poors, Moody's and Fitch. The higher the rating, the more secure an insurance company is assessed to be. Ratings are determined by a combination of ability and willingness to pay claims, quality of management and underwriting skills.

Subject to licensing requirements, insurers based in London can meet the insurance requirements of companies from the FSU and also of companies looking to trade into the region. Note however that licensing rules are constantly changing.

How to obtain insurance?

For the most benefit, it is essential to have the right insurance cover in place, with the right insurer. The complexities involved in placing insurance mean it is best to appoint a broker to assist you.

Insurance brokers have a duty of care to their clients, not to the insurer. As London is the centre of the global insurance industry it pays to appoint a London-based broker — he will be able to access all global markets as well as the London market, and will try to obtain the best terms for any particular risk.

Brokers in London are particularly well positioned to place risks linked to the FSU. The London market has been insuring risks in the region for many years, thus accumulating experience and expertise on the region generally, particular aspects and peculiarities of business there, and the regulatory regimes in the various countries.

What types of insurance?

The countries of the FSU are great trading nations, and companies wishing to trade need cost effective financing for their transactions. Insurance facilitates this as it provides security in the event of an unforeseen problem. The two areas of most interest in this context are financial insurances and marine cargo insurance.

Financial insurances are widely used by multinationals, corporations, traders and shippers to help access cost effective finance. The risks are underwritten, and the insurances are accepted by the banks as a genuine means of risk transfer. Indeed, the banks will only agree to trade loans and structured finance loans on the basis that the underlying risk is insured.

The two principal types of financial insurances are trade credit insurance and political risk insurance.

Trade credit insurance covers the non-payment by a buyer when credit terms have been extended. Offering credit terms to a buyer is beneficial in terms of winning business, but leads to the risk of the goods being delivered but not paid for.

Insurance cover can be provided for insolvency of the buyer and for “protracted default” — this means prolonged failure to pay for the goods. The insurance can be amended to deal with circumstances where the opposite may happen — money is pre-paid but the goods are not delivered.

Political risk insurance covers the risk of a State, through its actions, frustrating a contract. For example, trade embargos may be imposed. If you are contracting with a State-owned organisation, its contractual performance can also be insured. The political risk insurance market will also provide cover against the seizure of assets such as goods, plant or machinery by governments as a result of confiscation or nationalisation.

The London insurance market is also a world leader in providing insurance cover against the risk of assets being damaged due to an act of terrorism, war or malicious damage. Many of the world's major banks use the London insurance market to cover such risks when they are providing financing for a project or transaction.

Marine cargo insurance is the other key type of insurance cover for traders. It provides protection in the event that cargo is lost or damaged while in transit. Again, the London market is the world-wide leader in providing competitive insurance of this type.



Particular Factors for FSU Companies

For companies operating in or trading out of Russia and the rest of the FSU, the political risk, trade credit insurance and marine cargo insurance markets in London are easily accessible. Many London insurance brokers have a well-developed network of contacts throughout the FSU.

Companies based in the FSU must have regard to local regulations and how they apply to different classes of business. In some circumstances, a local insurance company may by law need to be involved. This does not however presently apply to political risk, trade credit or marine cargo insurance.

A vital point is that a company wanting to insure a risk has to provide insurers the fullest possible information on the project or transaction, and the proposed risk. The insurers will expect to see numerous documents, including copies of contracts. They will expect the company asking for the insurance to have carried out its own due diligence on the proposed counterparty or to provide a breakdown of

prior trading history with that counterparty. Full disclosure of material facts is required, so that the insurer is able to carry out a proper assessment of the risk and set an appropriate premium. Again, disclosure requirements are something your broker can advise further on.

Conclusion

The London insurance market has the expertise, experience and appetite to assist in the development of business for banks, traders and companies operating within Russia and the rest of the FSU and, as those companies become more international in their outlook, will have an increasingly important role to play.

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Tysers is a leading specialist in the area of Political Risk and Trade Finance Insurance and other complementary insurance products on an international basis. Tysers prides itself on finding innovative and flexible solutions, in order to facilitate clients' business.

HOW TO APPROACH THE EBRD

YURI POLUNEEV

EBRD

The European Bank for Reconstruction and Development (EBRD) is noteworthy as the only international financial institution located in London's sprawling international financial centre.

The EBRD is a multilateral financial institution (owned by sovereign states and organisations), which supports, mainly through the financing of projects, the transition of post-communist countries to market economies.

Established in 1991, the Bank has its headquarters in London and is owned by 62 members — 60 countries, the European Community and the European Investment Bank. Twenty-seven member countries are the Bank's so called "countries of operations", i.e. recipients of EBRD funds.

The EBRD is one of the biggest players in project and corporate finance in the region. In 2003, the Bank committed EUR 3.7 billion to 119 projects in all countries of operations. The Bank's cumulative business volume (all loans, equity and guarantees) over 13 years of its existence is close to EUR 23 billion, which, together with mobilised third party financing, amounts to total project value of almost EUR 70 billion.

What does the EBRD do?

The Bank finances projects in countries from Central Europe to Central Asia: in Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Serbia and Montenegro, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Thanks to its AAA rating, the EBRD is able to borrow funds in the international markets by issuing bonds and other debt instruments at highly cost-effective market rates, and thus to provide loans tailored to the requirements of its clients.

*"The better your
project proposal is
prepared, the faster
the EBRD bankers
can move"*

The Bank provides mainly loans and equity to various projects in various sectors. But while 70% of its portfolio is in the private sector, 30% is still focused on public services, i.e. improvement of transportation, infrastructure, municipal utilities etc. By participating in a project, the Bank makes a risky project in a risky country or region more attractive to outside investors. Also, by attracting third party financiers, the Bank spreads the risk and multiplies its cumulative financing effect. For each dollar of the EBRD's own participation, it often mobilises three dollars from other financiers and investors. The Bank also improves access to loans for projects of all sizes, including micro— and small business, in practically all sectors.

The EBRD, as an international financial institution, insists on strict environmental standards (it is rightly called a “green bank”), improved corporate governance and stringent anti-corruption measures. It promotes transparency and accountability to the public, and is pledged to improve the business climate in all of its countries of operations. Plus, the Bank has a unique political mandate — its shareholders believe that market economy goes hand-in-hand with pluralistic democracy. So if a country has a poor democratic record, the Bank only carries out very limited operations there.

Sectors supported by the EBRD are: agribusiness, energy efficiency, financial institutions, manufacturing, municipal and environmental infrastructure, natural resources, power and energy, property and tourism, telecommunications, information technology and media, and transport.

Dealing with the EBRD

The Bank's headquarters are easy to find — One Exchange Square, London (just a few minutes walk from Liverpool Street station or just behind Botero's famous reclining beauty). The Bank also has offices in 33 countries where experienced bankers, both local and expatriate, can provide advice and feedback on your project proposals.

However, before you decide to go to London or knock on the door of one of the EBRD's local offices, do your homework. The EBRD is NOT an easy institution to deal with. It puts forward quite a few project-related conditions and requirements, which your business has to satisfy before a project commitment can be made. And the Bank is quite serious about these requirements. So, check whether your project stands a chance.

Each potential EBRD project should:

- ▼ Be located in one of the Bank's countries of operations.
- ▼ Have strong commercial prospects (be bankable).
- ▼ Involve significant equity contributions in-cash or in-kind from the project sponsor(s).
- ▼ Benefit the domestic economy or address regional cooperation / trade.

- ▼ Meet EBRD sound banking, corporate governance and environmental standards.

EBRD financing for private sector projects generally starts from EUR 5 million, which may be in the form of a loan or equity participation. The minimum financing requirement also means that the sponsor's own participation in the project should be at least Euro 5 million, with the rest being mobilised from third parties. The average size of EBRD standalone financing is EUR 25 million.

However, smaller projects may be financed through financial intermediaries or through special programmes for smaller direct investments, which benefit from the EBRD financial support. This is particularly important in smaller countries. Financial guarantees may also be provided, but their share in the Bank's total business is small.

Project Structure

The EBRD typically funds up to 35 percent of the total project cost for a greenfield project or 35 per cent of the long-term capitalisation of the project company. You should expect that the Bank will require a significant equity contribution from the project sponsor(s), at least equal or greater than the EBRD's financing. For the rest of project financial requirements, there must be additional funding from the project sponsors or other co-financiers, which could be generated through the EBRD's syndications programme.

Project Cycle Duration

The EBRD is not the fastest solution to your immediate financial needs. But sometimes it may turn out to be the only one, especially if long-term projects are concerned. Having the EBRD on board is like having a quality stamp on your business, which may open other doors. The better your project proposal is prepared, the faster the EBRD bankers can move. A deal typically takes three to six months from initiation to signing the project documents. But it may take longer. You should be patient. Perhaps, during the process, you will secure financing from market sources. That is not a problem — the EBRD is not supposed to provide financing for projects which the market will finance on comparable terms.

Types of Funding Available

Loans: EBRD loans are structured with a high degree of flexibility to match client and project needs. These loans include following basic features:

- ▼ EUR 5 million minimum (less in some smaller countries).
- ▼ A fixed or floating interest rate.
- ▼ Senior, subordinated, mezzanine or convertible debt.

- ▼ Loan denominated in major foreign or selected local currencies.
- ▼ Short and medium to long-term maturities — from 1 year (for working capital or trade finance) to 5-7 years (for average capital expenditure and modernisation projects) or to 10-15 years (for sovereign infrastructure projects).
- ▼ Project-specific grace periods, where necessary, may be available.



Equity: The EBRD can take equity positions in companies and financial institutions, which might range in size from EUR 2 to 100 million. Equity is only provided, however, on a number of conditions: that there is an expected appropriate return on investment; that a position is a minority stake; and only if a project envisages a clear exit strategy for the Bank. The exit should normally be within four to eight years of the initial investment, varying from project to project. The Bank's exit strategy typically involves a sale to the project sponsors, a strategic investor(s) or via IPO.

Guarantees: The Bank can provide several types of guarantees, which range from all-risk ones (to cover lenders against default regardless of the cause) to partial risk-specific contingent guarantees (to cover against specified events). In all cases, the maximum exposure must be known and measurable and the credit risk must be acceptable. Precise legal definitions of the events guaranteed and pricing are considered on a case-by-case basis.

Small- and Medium-Sized Projects

For projects smaller than EUR 5 million for the Bank to finance, the EBRD extends, practically in all countries of operations, credit facilities to local financial intermediaries (commercial banks, specialist micro and small business banks, equity funds and leasing companies). These intermediaries then provide smaller loans to micro, small and medium-sized businesses. The financing requirements are similar to the Bank's general approach but financial intermediaries make independent decisions about which micro, small and medium-sized enterprises they support. For these types of financing, it is advisable to find out from local EBRD offices in each country which financial institutions work with the EBRD credit lines and obtain necessary documentation for applications.

In addition, the EBRD also provides to small- and medium-sized projects other financing, including:

Equity financing: Equity is available from EBRD-supported private equity funds, donor-supported equity funds and directly from the Bank. Equity funds support all kinds of investments, including business start-ups, expansion and acquisitions.

EBRD direct investment: Equity finance of up to EUR 2.5 million for businesses led by experienced entrepreneurs is available directly from the EBRD through the EBRD Direct Investment Facility (DIF). The EBRD's DIF is targeted at smaller businesses based in many countries and regions including the Caucasus, Central Asia, South-Eastern Europe, Belarus, Moldova, Ukraine and parts of Russia.

Trade finance

The Trade Facilitation Programme (TFP) supports foreign trade in the Bank's countries of operations. Through the programme, the Bank covers the political and commercial payment risk of transactions undertaken by participating banks. The programme can guarantee any trade transaction associated with exports from, and imports to the Bank's countries of operations. Specifically, the EBRD provides guarantees to international commercial banks (confirming banks) to secure payment of instruments issued by participating banks (issuing banks). Around 80 issuing banks in the EBRD region participate in the programme together with about 490 confirming banks throughout the world.

Business Development Programmes

The EBRD supports several business development programmes that raise the level of management and financial expertise in the Bank's countries of operations:

- ▼ *The TurnAround Management (TAM) Programme*, which enhances the knowledge, confidence and capabilities of senior management in industrial companies;
- ▼ *The Business Advisory Services (BAS) Programme*, which targets local consultants assisting small and medium-sized enterprises (SMEs) on business performance.

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THE “NEW NEAR ABROAD” — BALTICS COMPANIES AND LONDON

JEFF ROBERTS

Impivaara Securities

Vilnius is the geographical centre of Europe, even if some in Paris may disagree. The problem for companies in the Baltics — the “New Near Abroad” — is that people in London have different perceptions, and this gets more acute as you move across the Atlantic to that great “Europe over there”, as Sir Harold MacMillan used to call it. To raise finance from Western sources means that you have to understand Westerners, and you cannot expect to separate rich men from their cash without first making them feel good about you, and about themselves. As Robert Burns said about watching a louse on a lady's bonnet in Church:

*“Oh would some Power give us the gift,
To see ourselves as others see us!
It would from many a blunder free us,
And foolish notion.”*

*“To raise finance
from Western sources
means that you have
to understand
Westerners”*

London, the City and its foibles

But before you make them feel good about you, you have to first understand them. And, a lot about the financial markets psyche of London today is based on what happened in the 1990s.

During the 1990s, the Financial Times share index went up three times. The effect was compounded by annual growth of 11-12%. Most insurance companies, however, paid out just a few percent to policyholders having 'with profits' policies. Happy days for the bosses with their £1 million plus annual salaries, unhappy days for pensioners and those who had relied on such policies to pay their mortgage debts at maturity. Even before the bear market started in the new millennium, the insurance companies were complaining that they wouldn't be able to cover their promises. Then the market fell...and so far no journalist seems to have had possession of the pocket calculator required to figure out what really happened in the 1990s.

Insurance companies, and other forms of saving suitable for 'widows & orphans' were in the past able to balance bonds with shares. Bonds are a promise to pay back principal, but their interest and coupons are only as good as the company or government backing them. The majority of professional investors during the 1990s bull market

simply forgot that they were looking after other people's money. They saw the challenge as getting bigger deposits and making money out of other people. As a result, size, not quality and reliability of investment returns, came to dominate. Had insurance companies had a prudent balance of stocks and bonds, they would not be in the mess they are in today. Investment 'experts' actually began to follow the percentage of shares required by an index, so that everyone became like everybody else. Indexed funds are guaranteed underperformance: they sell too soon and buy too late.

What does this mean for our friends in the New Near Abroad? Simply that it is very difficult now to find in London serious buyers of new share issues in small companies. Honest, bread and butter stockbroking, supported by independent investment research, has all but dried up.

Initial Public Offerings

Because so many UK and European fund managers are closet indexers, and because they are so afraid of the regulatory regime and of legal threats for spending money for services that are not absolutely necessary to keep up their “deposits”, there has been a catastrophic fall in commission rates on ordinary share dealing. You cannot support independent investment research for 0.2%, let alone expect any research when new money is put into what are essentially indexed funds through Program Trading for 0.01%. IPOs are therefore hundreds of times more attractive for the investment banks than bread and butter stockbroking / research.



There are noble exceptions. A very few large portfolio managers actually pay for research as well as maintaining a large staff of real analysts. They visit companies. They take note of outside research. However, for our Baltic readers, there are unfortunately only a few big investment houses with the specialist skills required to find your company shares attractive. Thankfully, there are a number of small specialty firms, which live entirely by doing what fund managers should do — trying to make money FOR their clients by picking good, undervalued shares and selling bad, overvalued ones.

EU Membership makes you bureaucratically acceptable

EU membership does bring a *Good Housekeeping* Seal of Approval to your company and your shares, and makes them far more acceptable to those wishing to put them into their Stock Market Indices.

To look further on the bright side...if, as I think, hard times are coming in the world, then companies in the New Near Abroad will become much more important as investment targets. Smaller Baltics companies offer ways to do things more cheaply than can be done in the overblown rest of Europe. Big companies in England or in Germany can get into big trouble, and need smaller companies in smaller, more flexible countries, to help them get out of it. The old Hansa is mini-globalization working for you.

Economics and the Share Market — does it matter at all?

Over the past ten years, the Estonian economy has grown 5.6 times. The Lithuanian economy is now the fastest growing in the whole EU. Latvia has the great city of Riga, and holds the traditional gateway to the West for Russian business. If we roll in Kaliningrad as a potential Hong Kong of the Baltic, you have 8m people in the New Near Abroad. I suspect that Sweden, with the same population, will continue to export capital to the Baltics as the prospects there are much better. But what role has the Stock Market played in these countries? Basically, the national markets have been a place where outsiders could, painfully slowly, buy shares in the hope of selling them later as a block to a foreign corporation once it finally wakes up to the need to be in your country. Big companies, it seems, like to buy overpriced shares...and serious fund managers should oblige them by selling.

Now that the Swedish-Finnish exchange has absorbed the national exchanges in the Baltic countries, everything is rolled together. Eventually, all the electronics, all the pharmaceuticals, will be rolled together in one list. Only the top tier will interest the 'closet indexers' noted above. Shares that should be big and liquid, such as utilities, are either foreign controlled already or have a tiny free float. Even though turnover off market, especially in Riga, is far bigger than official trading, the daily turnover on Helsinki or Stockholm is hundreds of times greater. Sadly, it is no longer so easy to find these comparative statistics as it was in the days of local exchange websites.

But a successful IPO (good product, good numbers, good management), especially in Riga, will without doubt attract attention.

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WORKING IN THE UK

JONATHAN CHAIMOVIC

Clyde & Co

So you want to live and work in the UK? Here is just an overview of some of the key issues:

Registration of a Representative Office in the UK

Every physical and legal person present on the territory of the UK must be accredited: for a legal entity this means, at a minimum, registration of a representative office.

Criteria for Being Present in the UK: If a company incorporated in one of the FSU countries (or one of its affiliates which was not itself incorporated in the UK) has a physical location in the UK, then it must register within a month of being here. A 'physical location' is either a place with an indication (e.g., a sign on the door) that the FSU company can be contacted there, or somewhere without such indication but where the FSU company 'habitually conducts business'.

Two Types of Accreditation (Registration): The UK offers two accreditation regimes for foreign companies (in part as a consequence of EU harmonization rules):

- ▼ *Place of Business Registration:* If business decisions are/will not be made in the UK, then a place of business (PoB) registration is required. If the FSU company is opening a pure representative office, then PoB registration is appropriate.
- ▼ *Branch Registration:* If business decisions are or will be made from the UK location, a branch registration is required.

Registration Procedures: The registration process is straightforward and is mainly a matter of filing appropriate documentation together with the application and filing fee.

- ▼ *PoB registration:* The FSU company needs to file: a completed Form BR1; a certified copy of its constitutional documents; a certified translation of the constitutional documents into English (if they are not already in English); and a £20 filing fee.

"Employing a foreign national without a valid right to work in the UK is now a criminal offence"

- ▼ *Branch registration:* The FSU company needs to file a completed Form 691; a certified copy of its constitutional documents; a certified translation of the constitutional documents into English (if they are not already in English); if the FSU company is required to publish accounts by law of its jurisdiction, a copy of the latest published audited accounts; if accounts are required and are not already in English, a certified translation into English; and a £20 filing fee.

Corporate Immigration

International relocation is a product of the times in which we live. A crucial but often underestimated dynamic in the relocation process is ensuring full compliance with the relevant Immigration Law. The current global security situation has heightened its importance. Employing a foreign national without a valid right to work in the UK is now a criminal offence, rigorously enforced by authorities. In the paragraphs which follow, I analyse various key factors to be taken into account in relocating to the UK.

The Rights of EEA Nationals

Nationals of the European Economic Area (EEA) benefit from freedom of movement throughout member states. This enables every EEA national to enjoy the right to take paid employment in any member state subject to certain administrative formalities.

The newly enlarged European Economic Area comprises the following countries: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Spain and Sweden. For eight of the 10 recent entrants to the EEA in May 2004, Malta and Cyprus being the exceptions, there are certain additional administrative formalities that need to be fulfilled. Additionally, nationals of Switzerland do not require permission to work in the UK.

Other nationalities, which do not benefit from a long-term right to enter, remain and work in the UK will all need to apply for prior relevant immigration status permitting them to do so.

The Work Permit Scheme

Common to most countries, the UK has a work permit scheme to benefit UK employers. Under this scheme, a UK-based employer may apply to employ a foreign national in the UK provided that the foreign national satisfies certain minimum standards in terms of experience and abilities and the position is of a type suitable for the work permit scheme. Applications for work permits are administered in the UK by Work Permits UK under the auspices of the Home Office.

The speed of the process will depend on the type of application and specifically whether the position requires prior advertisement within the EEA. Once a work permit is issued, the foreign national applies for entry clearance to the UK as a work per-

mit holder. Once the work permit is approved, the spouse and in certain cases common law partner and financially dependant relatives may apply in parallel for entry clearance. Once such entry clearances are approved, the spouse, partner and dependent children will be able to work in the UK permit free.

The Sole Representative

An overseas company with no UK branch, subsidiary or other UK presence can send a non-EEA national to the UK to establish such a presence. The intention must be to establish a branch or wholly owned subsidiary of the overseas office within one year of the employee's arrival in the UK. This category is suitable for senior employees who, on entry to the UK, would have authority to manage the day-to-day running of the business in the UK, to take senior-level management decisions and to negotiate on behalf of the overseas employer.

The application is made via the British Consulate overseas, for which a document setting out the overseas company's business, its intentions for the UK and the status of the proposed sole representative will be required.

Once entry clearance is approved for the sole representative, any spouse (partner as above) and/or dependant relative will have a right to enter the UK in parallel. Sole representative status will be granted for an initial 12-month period. At the expiry of this period, provided certain criteria are fulfilled a three-year extension can be obtained.

The Investor Scheme

A foreign national can enter the UK as an investor on the following conditions:

- ▼ They have money of their own, under their control and disposable in the UK, amounting to no less than £1 million.
- ▼ They intend to invest not less than £750,000 in the UK by way of UK government bonds, share capital and loan capital in active and trading United Kingdom registered companies (with certain exceptions) and they intend to make the UK their main home. They would be required to maintain and accommodate themselves without recourse to public funds although this is generally not problematic with the investor category.
- ▼ Applications for investor status are made via the British Consulate overseas. Once this status is approved, the spouse (partner as above) and dependant relatives of the investor will be able to seek parallel leave to enter the UK.

Once in the UK, the investor will not be able to take employment but can be self employed. Investor status is granted for an initial period of 12 months and thereafter, upon fulfilling relevant criteria, will be extended for a further three years.

Highly Skilled Migrant Programme

High achieving individuals may make applications to enter the UK under the Highly Skilled Migrant Programme. In force since January 2002, the purpose of this scheme is to encourage exceptionally skilled foreign nationals to live and work in the UK. The scheme operates on the basis of a points system where the foreign national must “score” a minimum of 65 points across separate categories including:

- ▼ academic qualifications
- ▼ past earnings
- ▼ career achievements
- ▼ past senior level experience
- ▼ partner's qualifications

The application for Highly Skilled Migrant status is administered by Work Permits (UK), the body which administers the work permit scheme. Unlike work permits, highly skilled migrant status is granted to individuals rather than companies. Therefore, a foreign national admitted under the Highly Skilled Migrant Programme can work for any UK company of their choice.

Setting up a business



A foreign national can enter the UK for the purposes of setting up a business provided that they have not less than £200,000 of their own money, under their control and disposable in the UK, and which they intend to invest in a UK business. They will also need to be actively involved full time in providing services to the business and the level of financial investment will be proportional to their shareholding. Ordinarily, they will have either a controlling or equal interest in any business. The business may be newly established or an existing business in which they are contributing a capital investment.

Applications in this category are made to the local British Consulate who will require documents substantiating among other things, the nature of the business, the availability of funds and the ability of the individual to maintain and accommodate themselves in the UK. There should also be a genuine need for the investment and the services in the UK.

Once this status is issued, the foreign national may enter the UK in this capacity. The foreign national spouse and dependant children will be entitled to apply for and obtain parallel entry clearance.

Visitors/Business Visitors

Any foreign national entering the UK as a visitor will be forbidden from entering any form of employment during the course of his visit. A Visitor's visa will be granted for a maximum period of six months and is non-extendable.

A Business Visitor will only be able to undertake certain specific tasks in the UK as part of his duties overseas. Generally, a Business Visitor will be forbidden from providing goods or services to a UK company for which he receives payment. Business Visitor visas are granted for a maximum of six months and are non-extendable.

Both Visitors' visas and Business Visitor visas can be obtained from the British Consulate/High Commission in the relevant country.

The above is a brief summary of the issues. Full compliance with UK immigration laws is essential in each case, and you are advised to take detailed legal advice.

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Clyde & Co is an international law firm which provides a full range of legal services, including advice to clients on corporate immigration matters and on registering a corporate presence in the UK.

USEFUL ORGANISATIONS IN THE UK

SARAH ROBINSON

The PBN Company, London

Business and Trade Associations

Russo-British Chamber of Commerce

The Russo-British Chamber of Commerce (RBCC) exists to facilitate trade between Britain and Russia. Member services include the provision of a monthly business digest, in-depth regional and company profiles, exhibitions, conferences and up to the minute Russian business advice. See www.rbcc.com. Offices at:

42 Southwark Street
London SE1 1UN
Tel: +44 (0) 20 7403 1706
Fax: +44 (0) 20 7403 1245
Contact: Chris Gilbert, Commercial Manager — UK

Ducat Place II
ul. Gasheka 7
3rd floor
Moscow 123056
Tel: +7 095 961 2160
Contact: Richard Wallace, Moscow Office Director

Liteiny Prospect, 36
Office 4
St Petersburg 191104
Tel: +7 812 336 5080
Contact: Dan Kearvell, St Petersburg Office Director

International Financial Services London

International Financial Services London (IFSL) is a private sector organization, funded predominantly by membership subscriptions, which promotes the UK-based financial services industry throughout the world. The IFSL International Group provides member firms with the opportunity to market their services overseas, facilitating contact with potential foreign (including Russian and CIS) partners through events held both in the UK and abroad. See www.ifsl.org.uk

29-30 Cornhill
London EC3V 3NF
Tel: +44 (0) 20 7213 9100
Contact: Christopher Goodwin, Head of CIS, International Group

Confederation of British Industry

The Confederation of British Industry (CBI) is the leading organisation of UK employers, and acts as a pressure group on behalf of businesses, promoting their interests to workers, the government, and overseas. The CBI liaises directly with foreign counterparts, including the Russian Union of Industrialists and Entrepreneurs

(RSPF), and provides advice on UK government policy issues. See www.cbi.org.uk

Centre Point
103 New Oxford Street
London WC1A 1DU
Tel: +44 (0) 20 7395 8239
Contact: Pauline Shearman, Head of Europe and Eastern Department

British Bankers' Association

The British Bankers' Association (BBA) is a trade association in the banking and financial services industry, representing banks and other financial services firms operating in the UK. It has more than 250 members and associate members, which fund its non-profit activities. See www.bba.org.uk

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX
Tel: +44 (0) 20 7216 8817

UK Trade & Investment

UK Trade & Investment is the Government organisation which supports both companies in the UK trading internationally and overseas enterprises seeking to locate and build business networks in the UK. See www.uktradeinvest.gov.uk

Kingsgate House
66-74 Victoria Street
London SW1E 6SW
Tel: +44 (0) 20 7215 8000
Fax: +44 (0) 20 7215 8313
Contact: David Sargent

Department for International Development (DFID)

The Department for International Development (DFID) is the UK Government department that manages

Britain's international aid programmes. DFID has provided funding for several economic development projects in Russia and the Former Soviet Union. See www.dfid.gov.uk

1 Palace Street
London SW1E 5HE
Tel: +44 (0) 845 300 4100
Contact: Jessica Irvine, Head of Europe and Central Asia Department

Embassies and Trade Delegations

Embassy of the Russian Federation

www.rusemblon.org
5 Kensington Palace Gardens
London W8 4QS
Tel: +44 (0) 207 229 8027

Russian Trade Delegation in the UK

The Russian Trade Delegation is the governmental body which represents Russia's economic interests in the UK. See www.rustradeuk.org

Westfield
33 Highgate West Hill
London N6 6NL
Tel: +44 (0) 20 8340 1907
Contact: Vladimir Razdukhov, Trade Representative

Embassy of Ukraine, London

www.ukremb.org.uk
60 Holland Park
London W11 3SJ
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Contact: Vitalii Lisovenko, Head of Trade and Economic Mission

Embassy of Latvia, London

<http://latvia.embassyhomepage.com>
45 Nottingham Place
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Contact: Ieva Jakobsons, Economic Affairs Secretary

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 Contact: Olga Stravinskiene, Commercial
 Attache

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 Contact: Meelis Kuusberg, Head of UK office,
 Enterprise Estonia.

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 Tel: +44 (0) 207 581 4646
 Fax: +44 (0) 207 584 8481
 Contact: Chingiz Kanapyanov, Consul

Exchanges and Regulators

London Stock Exchange

www.londonstockexchange.com
 10 Paternoster Square
 London EC4M 7LS
 Tel: +44 (0) 207 797 1000
 Contact: Jon Edwards, Senior Manager,
 International Business Development.

Financial Services Authority

The Financial Services Authority (FSA) is an independent non-governmental body, which regulates the financial services industry in the UK.

www.fsa.gov.uk
 25 The North Colonnade
 Canary Wharf
 London E14 5HS
 Tel: +44 (0) 207 066 1000

The Panel on Takeovers and Mergers

www.thetakeoverpanel.org.uk
 PO Box 226
 10 Paternoster Square
 London, EC4M 7LS
 Tel: +44 (0) 207 382 9026

FTSE International

www.ftse.com
 St Alphage House
 2 Fore Street
 London EC2Y 5DA
 Tel: +44 (0) 207 448 1800
 Contact: Nichole Weiner, Client Services
 Executive.

London International Financial Futures and Options Exchange (LIFFE)

www.liffe.com
 Cannon Bridge House
 1 Cousin Lane
 London EC4R 3XX
 Tel: +44 (0) 207 623 0444

Nasdaq International Ltd. (London Office)

www.nasdaq.com
 120 Old Broad Street
 London EC2N 1AR
 Tel: +44 (0) 207 825 5500

New York Stock Exchange Inc. (London Office)

www.nyse.com
 Queensberry House
 3 Old Burlington Street
 London W1S 3AE
 Tel: +44 (0) 207 025 7880

Airlines

British Airways

www.britishairways.com
 Waterside
 PO Box 365
 Harmondsworth
 West Drayton UB7 0GB
 Tel: +44 (0) 870 850 9850

Lithuanian Airlines

www.lal.lt
 Room 1025 First Floor
 North Terminal,
 London Gatwick Airport
 West Sussex RH6 0PJ
 Tel: +44 (0) 1293 579 900

Aeroflot

www.aeroflot.co.uk
 70 Piccadilly
 London W1J 8HP
 Tel: +44 (0) 207 355 2233

Transaero (Russian airlines)

www.transaero.ru
 "Flight Directors"
 Flight House
 Fernhill road
 Horley
 Surrey RH6, 9SY
 Tel: +44 (0) 870 850 7767

Air Astana (Kazakh airlines)

www.air-astana.kz
 5 Hobart Place
 London SW1 0HU
 Tel: +44 (0) 207 393 1253

Ukraine International Airlines

www.ukraine-international.com
 Oak House
 Country Oak Way
 Crawley
 West Sussex
 RH11 7ST
 Tel: +44 (0) 1293 596 609

Air Baltic (Latvian airlines)

www.airbaltic.com
 World Business Centre
 Newall Road
 Hounslow
 Middlesex TW6 2RE
 Tel: +44 (0) 870 607 2727

Estonian Airlines

www.estonian-air.ee
 Terminal House
 52 Grosvenor Gardens
 London SW1 0AU
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