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Last Updated: Saturday, 1 July 2006, 07:23 GMT 08:23 UK

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Russia lifts controls on currency

Russia is lifting controls on its currency, the rouble, making it fully convertible.

The move allows Russians to open foreign bank accounts and will ease restrictions on foreign investors.

Russia's Finance Minister Alexei Kudrin said on Friday he expected the move to bring tens of billions of dollars of foreign investment.

But analysts warn it means Russia will also face stronger foreign competition and may risk its economy overheating.

Restrictions dismantled

Over recent years Russia has seen a steady dismantling of restrictions on business and banking.

In May, President Vladimir Putin called for a plan to lift controls on the rouble to be brought forward to 1 July - two weeks before G8 leaders meet in St Petersburg.



The rouble will now be free to buy and sell

“ The transition to the full convertibility is... a sign of certain maturity of the Russian economy ”

Finance Minister Alexei Kudrin

Until now, Russians wishing to transfer funds to a foreign account were required to put a quarter of the sum in an account in the Central Bank.

Meanwhile, foreigners transferring money to Russia were required to deposit a "collateral" as a means to protect against speculative capital.

These controls will now be scrapped, and the rouble is on its way to becoming a trading currency like the US dollar or the euro.

'Mature economy'

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"The transition to the full convertibility is an indication where our financial system stands," Mr Kudrin was quoted as saying by Russian news agency Itar-Tass.

"It is also one of the fundamental principles of economic development, a sign of certain maturity of the Russian economy. Russia can now say that it is a mature economy."

He also said he expected the new currency regime to give Russia "tens of billions of dollars of foreign investment".

However, some analysts warn capital could also flow out of the country as Russians become free to transfer money abroad.

On the other hand, they warn the Russian economy could overheat if foreign traders sense a good deal on the rouble and start to buy them up too fast.

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