

ClientInsight

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Russian Legislation Update

Securities

On 4 October 2011 the Federal Service for Financial Markets (the "FSFM") issued Order No. 11-46/pz-n approving new Regulations on the disclosure of information by issuers of securities ("New Regulations").

The Order was registered with the Ministry of Justice on 1 December 2011.

The New Regulations replace Regulations on the disclosure of information by issuers of securities approved by the FSFM Order No. 06-117/pz-n as of 10 October 2006.

The New Regulations set out in considerably greater detail provisions related to the disclosure of information by issuers of securities, in particular, the posting of information on the Internet, provision of financial statements under IFRS and GAAP, the disclosure of information in case of registration of a prospectus of securities after the state registration of the report on securities issuance results, the disclosure of information in the form of a quarterly report and material facts (including a detailed list of such material facts).

The New Regulations also separately provide a set of rules related to the disclosure of information in the form of consolidated financial statements, disclosure of information in case of admission of foreign securities to public placement and public circulation in Russia, and disclosure of information in the form of a prospectus of securities of a foreign issuer and an annual report of a foreign issuer.

The Order will enter into force 10 days after the date of its official publication, except for a number of provisions which will enter into force on 1 September 2012.

On 6 December 2011 the Federal Service for Financial Markets (the "FSFM") issued Order No. 1-65/pz-n "On the Provision of Information Regarding Securities and Derivative Financial Instruments."

The Order was registered with the Ministry of Justice on 29 December 2011.

In accordance with Article 30.2 of the Securities Market Law, any information regarding securities, including investment units of mutual funds and derivative financial instruments, intended for qualified investors only, may not be distributed amongst the general public, including by way of advertising, save for any information that is to be disclosed in accordance with applicable Russian law regulations. Furthermore, any information regarding securities, including investment units of mutual funds, intended only for qualified investors and issuers of such securities (persons bearing any obligations under such securities), may be provided to the holders of such securities, to qualified investors, Russian state and local authorities, and to other persons specifically named in the regulations of the FSFM. Any information regarding derivative financial instruments intended for qualified investors only may be provided to parties to agreements qualified as derivative financial instruments, to qualified investors, Russian state and local authorities, and other persons specifically named in the regulations of the FSFM.

This update is a general summary of recent developments in Russian legislation and should not be treated as legal advice. Readers should seek the advice of legal counsel on any specific question. All translations of terminology in this update are unofficial.

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For the purposes of these provisions of the Securities Market Law, the Order introduces a list of persons authorized to receive information intended for qualified investors only, which includes:

- Any person who is a party to an agreement (including agreements with auditors, appraisers, rating agencies and actuaries) with the holder of the above information, provided that the obligations under such agreement cannot be performed without the use of such information intended for qualified investors only;
- Organizations where the holder of the above information has membership, in case such membership requires the provision to such organizations of information intended for qualified investors only;
- Participants of business entities which are parties to agreements qualified as derivative financial instruments intended for qualified investors only in accordance with the requirements of the Securities Market Law or in accordance with the charters of such business entities;
- Business entities whose shares (participatory interests) comprise the property of an investment fund, in case shares or investment units of such investment fund are restricted in circulation, or participants of such business entities in accordance with the requirements of the Securities Market Law or in accordance with the charters of such business entities;
- Other persons, in which case the provider of information determines the content and volume of such information, provided that such persons are to be notified that the information is intended for qualified investors only and may not be provided to persons who are not qualified investors or distributed amongst the general public, and are to acknowledge the receipt of such notification. The notification and acknowledgment may be made in writing or in electronic form, which is to provide for the possibility to identify the recipient of the information intended for qualified investors only.

The Order will enter into force 10 days after the date of its official publication.

On 29 November 2011 the Federal Service for Financial Markets (the "FSFM") issued Order No. 11-62/pz-n "On the approval of a list of foreign organizations that developed standard terms of agreements (other similar documents) which may specify standard conditions of REPO agreements, agreements qualified as derivative financial instruments, other types of agreements targeting securities and/or foreign currencies, or master agreements, if one of the parties to such agreements is a foreign person."

The Order was registered with the Ministry of Justice on 30 December 2011.

In accordance with Article 51.5(5) of the Securities Market Law, if one of the parties to a REPO agreement, an agreement qualified as a derivative financial instrument, other agreement targeting securities and/or foreign currencies, or a master agreement, **is a foreign person**, the provisions of such agreements may specify that certain terms and conditions thereof may be determined as per standard terms of agreements (other similar documents) developed by foreign organizations included in the list approved by the FSFM.

The Order now introduces an official list of such foreign organizations approved by the FSFM, which includes: (i) the International Swaps and Derivatives Association, Inc, and (ii) the International Capital Market Association, Ltd.

The Order will enter into force 10 days after the date of its official publication.