



Trading Russian securities abroad

AMENDMENTS TO THE RULES ON DEPOSITARY RECEIPTS PROGRAMMES

The Russian Federal Service for Financial Markets (the FSFM) has published proposed amendments (the amendments) to the regulations governing the issuance of a permit required for Russian issuers in connection with placement and trading of securities abroad, including through establishment of depositary receipts programmes (approved by the FSFM Order dated 12 January 2006 No. 06-5/pz-n and amended on 5 June 2008) (the regulation). The Ministry of Justice is currently registering these amendments. After registration and official publication they are expected to come into force on or around 1 October 2009.

The amendments reduce the maximum percentage of a Russian issuer's shares that may be placed and/or traded outside Russia, including by way of depositary receipts programmes, and link such maximum percentage to the existing listing of the Russian issuer's shares on Russian quotation lists. The new limits are as follows:

- an issuer with shares admitted to list 'A' may have up to 25 per cent of its shares placed and/or traded outside Russia;
- an issuer with shares admitted to list 'B' may have up to 15 per cent of its shares placed and/or traded outside Russia; and
- an issuer with shares admitted to lists 'V' or 'I' may have up to 5 per cent of its shares placed and/or traded outside Russia.

The new maximum percentage limits effectively establish new ceilings on the size of Russian issuers' depositary receipt programmes.

In addition, in any given offering of shares, not more than 50 per cent of the offering may be sold outside Russia including by way of depositary receipts. If an offering includes existing shares alongside newly issued ones (on the same offering terms) not more than 50 per cent of the aggregate number of the offered shares (both existing and newly-issued) may be sold outside Russia (including by way of depositary receipts).

Where existing shares are offered, the Regulation currently in force already requires the relevant selling shareholder to offer such existing shares in Russia. Under the amendments not more than 50 per cent of all existing shares offered in Russia may be placed abroad (currently

this is set at 70 per cent). This 50 per cent limitation will not apply to admissions to trading abroad of Russian shares made in connection with corporate re-organisations of Russian issuers which have previously received permits from the FSFM to place their shares abroad.

Within 30 days of the completion of the relevant share offering, both in and outside Russia, the relevant issuer and, with respect to any offering of existing shares, the relevant selling shareholder, must submit to the FSFM a report on the results of the offering (the offering report). This offering report could be submitted by their broker or, if the shares are being offered in Russia through a stock exchange, by the relevant stock exchange.

If any modification is made to an existing depositary receipt programme, the issuer (or the depositary bank if the issuer is not a party to the deposit agreement) must notify the FSFM of the modification in writing, attaching a certified copy of the amended agreement in Russian.

Permits issued by the FSFM expire in the following instances:

- the shares are not placed or traded outside Russia (including by way of depositary receipts programme) within one year of the date of the permit;
- the offering report is not submitted to the FSFM on time; and
- the shares are redeemed (cancelled).

The amendments also introduce certain technical changes with respect to the application procedure and provide standard forms of applications, permits and offering reports.

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