



# Trading Russian securities abroad

AMENDMENTS TO THE RULES ON DEPOSITARY RECEIPTS PROGRAMMES

New amendments allow Russian issuers to establish 'zero-balance' depositary receipt programmes. This briefing looks at the conditions that apply when establishing such a programme.

The Federal Financial Markets Service (the FFMS) has approved amendments (the amendments) to the regulation governing the issuance of permits (DR permits) required for Russian issuers in connection with establishment of depositary receipts programmes (DR programme) (approved by the FFMS Order dated 10 June 2009 No 09-21/pz-n). The amendments became effective on 12 March 2010.

The amendments allow Russian issuers to obtain a DR permit to establish sponsored 'zero-balance' DR programmes in respect of existing shares by effectively granting an exemption from the requirements that where a Russian issuer is seeking to establish a DR programme, such programme may only be established in the context of an offering and that the issuer must:

- offer shares comprising the relevant offering in Russia; and
- limit the number of shares deposited in the DR programme to no more than 50 per cent of shares offered in Russia.

The new exemption is subject to the following pre-conditions:

- the relevant shares must be admitted to quotation list 'A' of a Russian stock exchange;
- the DR permit application must be signed (among others) by the Russian issuer and by an eligible Russian licensed custodian (the custodian). Such custodian must meet the following criteria:

- it has carried out custodian activity for at least seven years;
  - it has own funds (capital) of at least RUB150bn (approximately \$5bn);
  - it maintains records in respect of securities with a total market value of at least RUB150bn (approximately \$5bn); and
  - it has not been subject to insolvency proceedings or regulatory sanctions resulting in the cancellation or suspension of its depositary licence within the last two years; and
- the deposit agreement must provide for the depositary bank's commitment to:
    - issue depositary receipts (DRs) representing the Russian issuer's shares only upon crediting such shares to its 'depo' account opened with the custodian (that is, no pre-release is possible under this exemption); and
    - provide the Russian issuer with quarterly reports containing lists of the DR holders and DR nominee holders and the number of DRs held by each of them.

The amendments do not affect current limitations on the maximum percentage of a Russian issuer's shares that may be traded (circulated) outside Russia (described in greater detail in our [November 2009 briefing](#)). Therefore, the maximum size of a zero-balance DR programme remains at 25 per cent of the relevant issuer's share capital.

This material is for general information only and is not intended to provide legal advice.

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