

# Russian Central Bank Adopts New Regulations for Securities Issues and Disclosure Obligations

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The Central Bank of the Russian Federation (CBR) has adopted new regulations for securities issues and disclosure obligations, as a result of amendments to the Russian Securities Market Law that came into effect on January 1, 2020 (the Securities Law Amendments):

- CBR Regulation No. 706-P dated December 19, 2019, “On Securities Issue Standards” came into force on May 11, 2020 (the New Issue Standards); and
- CBR Regulation No. 714-P dated March 27, 2020, “On Disclosure of Information by Securities Issuers” will come into force on October 1, 2021 (the New Disclosure Regulations).

The amendments and new regulations will streamline the securities issue process and ongoing disclosure obligations for the benefit of issuers and market participants, and bring the Russian regulatory framework closer to internationally recognized standards.

## Securities Issue Standards

The Securities Law Amendments introduced major changes to securities issue procedures, including:

- In certain limited cases that do not involve public offerings, registration powers have been delegated by the CBR to registrars, stock exchanges and the central securities depository.
- Certain “seasoned issuers” are permitted to prepare a prospectus without the need for its registration (other than with respect to issues of shares, securities convertible into shares, and subordinated bonds, which still require registration of a prospectus).
- Securities offering documentation may now be filed electronically.
- An “offering terms summary” must now be produced in certain cases where a prospectus is not required or where the prospectus does not contain offering terms.
- The requirement for issuers to notify the CBR following completion of an offering has been removed (with the notification being required to be filed by the registrar or the central securities depository).
- A new prospectus is now required to be registered if no offering has taken place within a year following the registration of the previous prospectus.

The New Issue Standards implement these new procedures, and, in addition, provide for the following:

- Unified issue standards have been established for all categories of domestic issuers, other than offerings by state and municipal authorities and the CBR.
- Time periods for registration of securities issues have been changed to 20 business days for prospectus issues (from 30 calendar days previously), and to 15 business days for issues without a prospectus (from 20 calendar days previously), in order that registration periods can allow for prolonged holiday periods.
- Detailed procedures have been adopted for the suspension and cancellation of registrations.
- Offering documents submitted for registration no longer need to be signed by the CEO but may now be signed by other officers of the company, under power of attorney from the CEO.

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- The criteria that must be satisfied for an issuer to constitute a “seasoned issuer” (entitling it to issue securities without the need for registration of a new prospectus, other than with respect to issues of shares, securities convertible into shares, and subordinated bonds, which still require registration of a prospectus) comprise:
  - at least three years in existence;
  - not in bankruptcy;
  - at least three securities offerings over the previous three years accompanied by registration (or provision to the stock exchange) of a prospectus;
  - no CBR orders relating to violations of disclosure requirements during the previous three years; and
  - no criminal prosecution of officers and directors for disclosure violations during the previous three years.
- The right to apply for preliminary consideration of offering documents has been extended to all securities offerings, not merely those that require a prospectus.
- Specific rules now apply to any offering of “green,” “social” or “infrastructure” bonds.
- An issue decision by the issuer is now only mandatory for offerings of shares and securities convertible into shares.

## Disclosure Regulations

The key changes to the disclosure requirements introduced by the Securities Law Amendments, which are incorporated into the New Disclosure Regulations, comprise:

- The specific list of mandatorily disclosable material events has been deleted, with material events still required to be publicly disclosed.

- Disclosure reports no longer need to be filed on a quarterly basis (although quarterly financials must still be disclosed).
- Issuers that are not part of a consolidated group are now required to prepare IFRS financials on a stand-alone basis (both for inclusion in a prospectus and as part of ongoing disclosure).
- Disclosure reports may now be signed by an officer of an issuer under power of attorney from the CEO, as well as by the chief accountant.

The New Disclosure Regulations will provide for the following and will come into effect on October 1, 2021, giving issuers sufficient time to adjust to the new rules:

- Disclosure reports and lists of affiliates will be required to be disclosed with respect to each 6- and 12-month period, instead of quarterly.
- The list of material events that will require mandatory disclosure has been moved from the Securities Markets Law to the New Disclosure Regulations and has been shortened substantially.
- If an officer or director of the issuer makes a public statement with respect to a material event prior to the time when it would otherwise have been required to be disclosed, the issuer will be required to publicly disclose that material event within one business day following the making of that public statement.
- The rules that will apply for preparing prospectuses and disclosure reports have been streamlined, bringing them closer to internationally recognized standards, *e.g.*, a prospectus will be required to include an analysis of impactful changes affecting financial and business performance, similar to an MD&A (management discussion and analysis).