

# Bank of Russia simplifies procedures for issuing securities and disclosing information

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On 11 May 2020, a new Bank of Russia [Regulation\\*](#) “On Standards for the Issuance of Securities” (the “**Regulation on Issuance Standards**”) came into force. The regulator updated this Regulation in line with [amendments\\*](#) to the Federal Law “On the Securities Market”, which came into force on 1 January 2020.

These amendments also led the Bank of Russia to adopt a new [Regulation\\*](#) “On the Disclosure of Information by Issuers of Issued Securities” (the “**Disclosure Regulation**”), which will go into effect on 1 October 2021.

These updates to the Bank of Russia’s Regulations are aimed at simplifying procedures for issuing securities and information disclosure, and bring Russian regulation closer to international standards.

Below, we outline the key changes brought about by the two Regulations.

## A simplified procedure for issuing securities

Issuers can now choose to either register a securities prospectus or provide the Bank of Russia with a notice on its preparation. This right is granted to issuers that satisfy the following conditions:

- the issuer was established at least three years before;
- no bankruptcy proceedings have been introduced in relation to the issuer;
- during the last three completed reporting years, the issuer placed securities in at least three issues;
- no securities prospectus has been drawn up for securities of a subordinated bond loan;
- the Bank of Russia did not send a compliance order to the issuer for the last three completed reporting years to eliminate violations related, in particular, to the procedure or deadline for disclosing information from a securities prospectus; and
- the issuer’s authorised representative who signed the securities prospectus has not been held criminally liable for knowingly including false information in a securities prospectus or approving a securities prospectus containing such information.

The changes also affect the procedure for issuing securities during the establishment of a joint-stock company. The Regulation on Issuance Standards stipulates that the issuer must first register the securities issue, submit documents for the registration of the joint-stock company, and only then provide the Bank of Russia with a report on the results of the issue for its registration. Previously, issuers had to register an issue of securities simultaneously with the report on the results of the issue after the registration of the joint-stock company.

In addition, the shareholders of a non-public joint-stock company now have the right to establish a different procedure for exercising preemptive rights by concluding a corporate agreement to which all shareholders are parties. Such a shareholder agreement also affects the procedure and conditions for the placement of shares provided for by the decision on their placement since, under the Regulation on Issuance Standards, this procedure and these conditions must comply with this shareholder agreement.

Besides, the Regulation on Issuance Standards expanded the list of signatories of issue documents – in addition to the general director, a representative also now has the right to sign issue documents under a power of attorney – and made it possible to manage documents as part of the issue procedure electronically.

## Updated disclosure requirements

The Disclosure Regulation reduces the list of material facts that require disclosure. For example, issuers will no longer have to disclose that they have sent an application to make entries in the Unified State Register of Legal Entities related to their reorganisation, termination of business or liquidation. At the same time, new material facts have been introduced. Issuers will need to disclose, for instance, information about the completion of any interested-party transaction by an organisation that is controlled by them and that is of significant importance to them.

Information will have to be disclosed in the form of a report by the issuer and a list of its affiliates every six months.

(At the moment, this needs to be done using other forms and on a quarterly basis).

Requirements are changing concerning the content of the issuer's report and the list of affiliates. The report will need to present EBITDA and ROE financial indicators, which is not required in accordance with the current regulation. There will also be a different methodology for calculating some financial indicators. The data disclosed in the issuer's report will therefore be closer to what is provided under IFRS.

If information on affiliates has changed from the previous reporting period, this will now have to be stated in the list of affiliates.

Finally, the rules on the disclosure of financial statements (whether consolidated or not) are changing. It will be sufficient to publish such a statement together with the audit report on a website, and the information contained in these two documents will not have to be disclosed in the issuer's report. In addition, the Disclosure Regulation exempts certain types of entities from disclosing information in this form (e.g. issuers that are small or medium-sized enterprises whose securities are not included in the quotation list of a stock exchange).

If you have any questions on this eAlert, do not hesitate to contact CMS Russia experts [Vladimir Zenin](#), [Elizaveta Rakova](#) or your regular contact at CMS Russia.

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\* In Russian

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