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New requirements on information disclosure on the securities market

1. General provisions

On 4 October 2011 The Federal Service for Financial Markets (FSFM of Russia) by means of the Order No. 11-46/pz-n (the «Order») adopted the new Regulation on information disclosure by issuers of securities (the «Regulation»).

The new Regulation essentially specifies and clarifies information disclosure procedure, that should reduce the possibility of misinterpretation of disclosure requirements, and subsequently mitigate issuers' risks of liability for non-disclosure, incomplete disclosure or for violation of the disclosure order and timing stipulated by federal laws and by other regulations adopted in accordance with those federal laws.

Changes to the Regulation are designed to simplify the information disclosure procedure first of all for those issuers whose securities are not listed and/or who are not organizations providing security for any listed bonds.

Another novelty was the detailed information disclosure procedure applicable to foreign issuer in the case of foreign securities public placement and circulation within the Russian Federation.

Certain provisions of the Regulation shall enter into effect on 1 September 2012, namely, the rules establishing information disclosure on the Internet requirements, as well as those eliminating the necessity to provide the registering authority with quarterly reports for certain categories of issuers.

2. Essential changes

2.1. Disclosure on the Internet

According to the previous Regulation, an issuer was entitled to use any web-site for purposes of information publication on the Internet (except publication in the newswire). Starting from 1 September 2012 such information will be subject to mandatory publication on a web-site, provided by one of the information distributors on the securities market.

In addition to the above -mentioned requirements, those issuers, whose securities are listed and traded, will be obliged to publish such information on their own web-site (that means the issuer should be a domain's owner).

2.2. Quarterly and annual reports

The new Regulation changes the information disclosure procedure in the form of a quarterly report submission. According to the previous Regulation, a quarterly report is subject to publication on the Internet and submission to the registering authority. Starting from 1 September 2012 the duty to submit quarterly

reports to the registering authority will be applicable only to mortgage bonds issuers. Any other issuers will be exempt from such a duty.

The Regulation establishes the list of information which is not subject to mandatory inclusion into the quarterly report by issuers, whose securities are not listed and/or who are not organizations, providing security for any listed bonds. For example, the quarterly report may not contain the following information: on rates and results of financial and economic activities, on market capitalization, on liquidity, capital and circulating assets sufficiency, on payables and receivables, on core business activity and its results, on suppliers, on financial investments, as well as information relating to export.

Content requirements of an annual report will become more detailed. For instance, the annual report of a joint stock company, whose securities are listed, should contain the explanation of reasons related to non-compliance with any rules of the Code of Corporate Governance, if the company has committed such offences.

2.3. Requirements to prospectus content

The requirements to the content of the securities prospectus have undergone several changes. Information on appraisers, involved to determine the market value of the property, should be stated not only in the section «Information on the issuer's appraiser», but in the section «Procedure and conditions for payment of securities under placement».

Moreover, if a foreign entity provides security for issuer's bonds, financial accounts and/or summary (consolidated) balance sheet of such entity will be subject to inclusion into quarterly report and prospectus. Such accounts should be prepared in accordance with IFRS or other international rules of accounting.

2.4. Messages on essential facts

The requirements to the content of messages on essential facts are extensively detailed in the Regulation, which may promote simplification of the disclosure in such form.

The previous Regulation establishes such requirements in the templates of some messages on essential facts, which are included into Regulation's Appendixes. In the new act's structure there is a unified form for messages on essential facts and other messages, subject to publication in accordance to the Regulation, provided in the Appendix 1. Also the Regulation includes a new section 6.2 named «Content of messages on essential facts». The norms of that section establish with regard to every essential fact: a basis for disclosure in that form, a composition of the data, which should be included into the message, and also a moment of essential fact's occurrence.

The Regulation also increases the term, in which the text of the message on essential fact should be accessible on the web-site. According to the previous Regulation, such term is 6 months since either the date of publication on the Internet or the expiry date of the term, in which any message should be published on the Internet. Currently, by means of the new Regulation, the given term will be increased up to 12 months.

2.5. Requirements to drafting documents, submitted to FSFM of Russia

Copies of messages on essential facts, copies of registered issuer's resolutions adopted throughout the emission procedure, as well as copies of other documents subject to mandatory disclosure, as a general rule, should be necessarily witnessed not only by signature of an empowered body of the issuer, but also by the issuer's seal.

2.6. Disclosure requirements to annual accountancy

While previously the annual accountancy of the joint stock company was subject to disclosure on the Internet in two days from the moment of drawing up the annual general meeting report, currently such a term should be calculated from the date of accounting completion or the expiry date of the accounting submission term. However, in case when the accountancy is subject to mandatory audit, the mentioned term should be calculated from the date of audit report completion.

3. Estimated terms of entry into effect

On 4 October 2011 the Regulation was adopted by the Order of the FSFM of Russia No. 11-46/pz-n, and registered in Ministry of Justice of Russian Federation on 1 December 2011. According to the cl. 3 of the Order the Regulation should enter into effect within 10 days from the moment of official promulgation, with the exception of above - mentioned provisions, entering into effect from 1 September 2012. The sources of official promulgation may be as follows: «Rossiyskaya Gazeta» and The Bulletin of Normative Acts of the Federal Executive Bodies.