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Russian regulations on GDR programmes for Russian companies

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Agenda

- Key foreign regulatory issues faced by Russian companies
- Russian FSFM regulation of GDR issuance

History of limitations on GDR programmes

- For the past 10 years FSFM has been:
 - consistently reducing the ceiling for GDR offerings by Russian companies
 - 2001: **Permission** requirement and **75%** threshold introduced
 - 2003: 75% threshold reduced to **40%**
 - 2006: 40% threshold reduced to **35%** and **70/30 rule** introduced
 - 2008: 35% threshold reduced to **30%**, lower thresholds of **25%** and **5%** introduced for strategic companies, 70/30 rule preserved
 - vigorously criticising offshore offerings of Russian businesses

June 2009 Amendments

- Came into effect on 1 January 2010
- Further reduced the ceiling for GDR offerings
- Applicable ceiling depends on:
 - existing level of Russian listing; and
 - whether a company is a strategic subsoil company
- Imposed additional compliance requirements on Russian companies

New thresholds for GDR programmes

- Maximum threshold reduced to **25%** and only available if any of the following criteria is met:
 - Shares are “A” listed; or
 - Depositary is incorporated in a country whose regulator has an agreement with FSFM; or
 - Issuer is a strategic subsoil company which cleared its 25% GDR offering with State Commission
- Other companies are subject to lower thresholds of:
 - **15%** for “B” listed shares; and
 - **5%** for “V” or “I” listed shares and for subsoil strategic companies without State Commission clearance for a higher limit
- 70/30 rule changed to **50/50 rule**

Additional compliance requirements

- Post offering notification obligation introduced:
 - Report on the results of the offering (local and international)
 - within 30 days following the offering
- The permission now has 1 year of “shelf life”
- FSFM can also cancel the permission if:
 - the underlying shares are redeemed; or
 - the post offering notification requirement is not complied with.
- Continuous obligation to update the FSFM on any changes to the depositary agreement introduced

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Questions?

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