



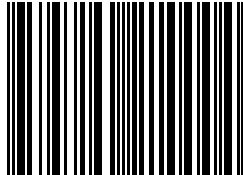
Guidance on verification practices for qualification of foreign financial instruments as securities under the Russian regulation

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GUIDANCE ON VERIFICATION PRACTICES FOR QUALIFICATION OF FOREIGN FINANCIAL INSTRUMENTS AS SECURITIES UNDER THE RUSSIAN REGULATION

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1. The regulatory framework for qualification of foreign financial instruments as securities under the legislative and delegated acts of Russia

1.1. Federal Law No. 39-FZ of 22 April 1996 "On the Securities Market" (from now on – Federal Law):

Article 51.1. Specifics of the placement and trading of foreign issuers' securities in the Russian Federation.

1. Foreign financial instruments shall be admitted for trading in the Russian Federation as foreign issuers' securities subject to simultaneous fulfilment of the following conditions:

1. An international securities identification code (number) of securities and the international classification code of financial instruments are assigned;
2. Foreign financial instruments shall qualify as securities by the procedure¹ established by the Bank of Russia.

2. Foreign issuers' securities may be admitted to placement and/or public trading in the Russian Federation if they meet requirements of the Clause 1 here of and were issued by:

1. foreign institutions established in the member states of the Organisation for Economic Co-operation and Development (OECD), members or supervisors of the Financial Action Task Force on Money Laundering (FATF), and/or members of the Council of Europe Committee of Experts on the Evaluation of Anti-money Laundering Measures and the Financing of Terrorism (MONEYVAL), and/or participants of the Eurasian Economic Union;
2. foreign institutions established in states with whose competent bodies (competent organisations) the Bank of Russia has an agreement governing their collaboration;
3. international financial institutions included in the list approved by the Government of the Russian Federation;
4. foreign states listed in Subclauses 1 and 2 of this Clause, central banks, and administrative territorial units of such foreign states which possess independent legal capacity;
5. foreign organisations whose securities have been listed at a foreign stock exchange included in the list² given in Clause 4 of this Article.

1.2. Bank of Russia Regulation No. 4561-U of 3 October 2017 "On the Procedure for Qualifying Foreign Financial Instruments as Securities" (from now on – Direction).

In the procedure established by this Direction the foreign financial instruments to which in compliance with Subclause 1 of Clause 1 of Article 51.1 of the Federal Law the identification code (number) of securities (hereinafter – ISIN code) and the international qualification code of financial instruments (hereinafter - CFI code) are assigned, shall be classified as securities.

1) The procedure of qualification of foreign financial instruments is set by the Bank of Russia Direction No. 4561-U of 3 October 2017 "On the Procedure for Qualifying Foreign Financial Instruments as Securities".

2) Bank of Russia Ordinance No. 3949-U of 28 January 2016 "On Approving the List of Foreign Exchanges, the Listing on Which is Mandatory for Foreign Securities to be Admitted by the Russian Exchange to Organised Trades and the Listing on Which Relieves Organisations Engaged in Operations with Monetary Funds and Other Assets of the Need to Identify Beneficiary Owners of Foreign Organisations Whose Securities Are Listed on Such Exchanges".

2. How to verify foreign financial instruments for compliance with the regulatory requirements of admission to trade in Russia?

Option 1

Address to the free NSD Database on its website:

1 https://www.isin.ru/en/foreign_isin/db/

2 https://www.isin.ru/en/foreign_isin/db_2015/.

National Settlement Depository (hereinafter - NSD) acting in accordance with the second paragraph of Clause 4.1. of the Direction³ provides on its website (please see above the relevant links) information about the foreign financial instruments which CFI codes meet the requirements of paragraph 4.2 of the Directive (please see the table below).

The NSD Database provides information on those foreign financial instruments which were requested by the Russian financial market participants for verification of qualification of these instruments as securities admitted for trading on the Russian market according to the Russian regulatory framework. The NSD Database is updated in real time and provides key information on foreign financial instruments and based on which such securities could be identified, including ISIN and CFI codes.

NSD is the sole organization in Russia that has the status of an organization that assigns these codes and provides information on foreign financial instruments that meet the qualification requirements by the Directive.

If the foreign financial instrument of interest is not presented in the NSD Database, it is possible to contact to NSD by sending an electronic inquiry to ISIN@nsd.ru with a request to confirm the existence of ISIN and CFI codes assigned to a foreign financial instrument and NSD will provide the relevant response with the confirmation or will inform about their absence if the codes haven't assigned yet. If the ISIN and CFI codes are assigned, and the CFI code meet the requirements of Subclause 4.2. of Clause 4 of the Directive, this security will be added to the NSD Database - https://www.isin.ru/en/foreign_isin/db/ and will become available to all Russian financial market participants for the qualification of this instrument in accordance with Clause 4 of the Directive.

Source: prepared on the publicly available information of NSD.

Option 2

To perform self-verification of a foreign financial instrument for compliance with the regulatory requirements for admission to trading in Russia as follows

If CFI code was assigned to foreign financial instruments and it has the values set by Subclause 4.2 of Clause 4 of Direction (please see the Table 1 below), qualification shall be occurred by the person/entity interested in the admission of these foreign financial instruments for trading on the Russian financial market, in particular by a foreign issuer (by the foreign organisation liable in respect of the foreign financial instruments), by the owner of foreign financial instruments and by the person/entity entitled to demand execution in respect of the foreign financial instruments (hereinafter – Interested party).

The interested party concerned shall qualify foreign financial instruments as securities by making the following actions:

- determination of the availability of the ISIN code and the CFI code assigned to foreign financial instruments;
- determining the fact that the value of the CFI code of foreign financial instruments is confirmed by the information or document provided for in Subclause 4.1 of Clause 4 of the Direction;
- correlation of values of CFI code of foreign financial instruments with the values established by Subclause 4.2 of clause 4 of the Direction (please see the Table 1 below).

For searching ISIN and CFI codes could be used the official Database of Association of National Numbering Agencies (ANNA) (free registration is required):

<https://www.anna-web.org/>

Option 3

If foreign financial instruments have CFI code that has values other than specified in Subclause 4.2 of Clause 4 of the Direction, by Clause 3 of Direction Corporate Affairs Department of the Bank of Russia is responsible for assessing the qualification of such foreign financial instruments.

The Department of Corporate Relations of the Bank of Russia qualifies foreign financial instruments as securities based on the submitted application for qualifying foreign financial instruments as securities of an Interested party (hereinafter - Application) and a document (copy of the document) that was settled in accordance with the national law of a foreign issuer (foreign organization obligated by foreign financial instruments) and containing a description of the rights granted (fixed, certified) by foreign financial instruments in respect of which the Application submitted.

Table 1.

Requirements to the values of CFI code of foreign financial instrument to be qualified as security for trading in Russia

Source: based on Clause 4.2. of the Direction.

Foreign financial instrument	First letter of CFI code	Second letter of CFI code	Third letter of CFI code	Fourth and fifth letters of CFI code	Six letter of CFI code
Shares	«E»	«S», «P», «R», «C», «F» or «V»	Not specified	Not specified	Except «Z» or «A»
Depository receipts in respect of stocks	«E»	«S», «P», «R», «C», «F» or «V»	Not specified	Not specified	«Z» or «A»
	«E»	«D»	S», «P», «C» or «F»	Not specified	Not specified
Investment units or shares of investment funds	«E»	«U»	Not specified	Not specified	Except «Z» or «A»
	«C»	Not specified	Not specified	Not specified	«X»
Investment units of investment funds	«C»	Not specified	Not specified	Not specified	«U» or «Y»
Shares of investment funds	«C»	Not specified	Not specified	Not specified	«S» or «Q»
Depository receipts in respect of investment units or shares of investment funds	«E»	«U»	Not specified	Not specified	«Z» or «A»
Bonds, except structured bonds	«D»	«B», «C», «T», «Y», «G», «A» or «N»	Not specified	Not specified	Except «Z» or «A»
Structured bonds	«D»	«S» or «E»	Not specified	Not specified	Not specified
Depository receipts in respect of bonds	«D»	«B», «C», «T» or «Y»	Not specified	Not specified	«Z» or «A»
	«D»	«D»	«B», «C», «T», «Y», «G», «A» or «N»	Not specified	Not specified

3) 4.1. The value of the CFI code of a foreign financial instrument for the purpose of qualification of such foreign financial instrument as securities shall be confirmed by the following:

- information on the CFI code on the basis of the data contained in the information resource of the organisation awarding the cited code which is inserted on the Internet or, where there is no access to the cited information resource, by the document of such organisation proving the availability of the CFI code awarded to the foreign financial instrument;
- the document of a professional securities market-maker engaged in depository activities or of a foreign organisation engaged in registration of rights to foreign financial instruments that proves on the basis of the information or documents cited in Paragraph two of this subitem the availability of the CFI code awarded to the foreign financial instrument.

Self-regulatory organization «National Finance Association»

Self-regulatory organization «National Finance Association» (NFA) is a leading professional association which includes about 230 Russian securities market participants from 27 regions of all eight Federal districts of the Russian Federation. NFA members' operations hold about 80% of the Russian banking sector market share. It was established in 1996 by major government participants securities market, with the support of Ministry of Finance of the Russian Federation and Central Bank of the Russian Federation (Bank of Russia).

Among NFA current significant projects are: integrated project of REPO market and refinancing system development; upgrading of market infrastructure as well as developing new financial instruments (concession bonds, bank certificates, mortgage assets, etc.); development of the exchange-traded and OTC precious metals markets (commodities markets); development of FX and money markets instruments, improvement and unification of financial market legal and regulatory framework, stream- lining regulatory system and regulatory costs reduction and others.

NFA is an Associate Member of International Capital Market Association and representing Russian financial market participants. NFA actively cooperate with International Swaps and Derivatives Association (ISDA), Securities Industry and Financial Markets Association (SIFMA) and National Association of Financial Market Institutions Investors (NAFMII). NFA is also a member of Asian Securities Forum (ASF).

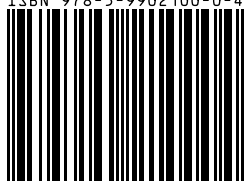


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