

Self-regulatory organization  
«National Finance Association»  
+7 (495) 980-98-74 | nfa.ru, financevent.ru | info@nfa.ru

**SRO  
NFA**

A photograph of several paper boats on a light-colored wooden surface. There are three white boats and one blue boat. The boats are simple, triangular in shape, and appear to be made of folded paper. They are scattered across the frame, with some in the foreground and others in the background. The lighting is soft, creating gentle shadows on the wood.

# **GUIDANCE ON VERIFICATION PRACTICES FOR QUALIFICATION OF FOREIGN FINANCIAL INSTRUMENTS AS SECURITIES UNDER THE RUSSIAN REGULATION (V.2)**

JUNE 2021  
MOSCOW

## Disclaimer

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## Authors:

- Andrey Krylov, Head of Securities Markets, SRO NFA
- Yulia Zotikova, Deputy Head of Securities Markets, SRO NFA

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[www.financevent.ru](http://www.financevent.ru)

Self-regulatory organization

«National Finance Association»

10, Bolshoy Sergievsky pereulok, Moscow, 107045, Russia

Phone: +7 (495) 980-98-74

E-mail: [info@nfa.ru](mailto:info@nfa.ru)

[www.nfa.ru](http://www.nfa.ru)

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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 procedure<sup>1</sup>, established by the Bank of Russia.

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

- 1) foreign institutions established in the member states of the Organization 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 organizations) the Bank of Russia has an agreement governing their collaboration;
- 3) foreign 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;

***Subclause 5 changed since 1 January 2020 by the Federal Law of 27 December 2020 No 514-FZ***

**Effective from 1 January 2020**

**Ceased to be in force since  
1 January 2020**

<sup>1</sup> The procedure for qualifying foreign financial instruments as securities is established by Bank of Russia Ordinance No. 4561-U of 3 October 2017 “On the Qualification Procedure for Foreign Financial Instruments as Securities” (as amended and supplemented).



5) foreign organizations whose securities have passed the listing procedure on a foreign exchange that **meets the criteria**<sup>2</sup>, specified in paragraph 4 of the present Article.

5) foreign organizations whose securities have passed the listing procedure on a foreign exchange **included in the list**<sup>3</sup>, specified in paragraph 4 of the present Article.

## **1.2. Bank of Russia Ordinance No. 4561-U of 3 October 2017 “On the Procedure for Qualifying Foreign Financial Instruments as Securities” (as amended) (from now on – Ordinance)**

In the procedure established by this Ordinance 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.

## **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 Databases of National Settlement Depository on its website:**

- <https://www.isin.ru/en/foreign isin/db/> and
- <https://www.isin.ru/en/foreign isin/db 2015/>.

National Settlement Depository (hereinafter - NSD) acting under the second paragraph of Clause 4.1. of the Ordinance 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 Databases provide 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

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<sup>2</sup> Bank of Russia Ordinance No. 5312-U of 11 November 2019 “On the Criteria to Be Complied With By a Foreign Exchange Where the Listing of Securities Underlying Russian Depository Receipts is Mandatory for Issuing Russian Depository Receipts Whereunder the Issuer of Underlying Securities Undertakes No Obligations to Holders of Russian Depository Receipts, or Where the Listing of Foreign Issuers’ Securities Has Been Commenced or Completed, Except Securities of International Financial Institutions, for a Russian Exchange to Make a Decision on Whether to Admit Them to Exchange Trading” (becomes effective on 1 January 2020).

Bank of Russia Ordinance No. 5333-U of 28 November 2019 “On the Procedure for the Bank of Russia to Generate Lists of Foreign Organizations (Foreign Exchanges) Stipulated in Clauses 3 and 4 of Article 27.5-3 as well as Clause 4 and Paragraph 2 of Clause 9 of Article 51.1 of Federal Law No. 39-FZ, Dated 22 April 1996, ‘On the Securities Market’ and to Publish These Lists on the Bank of Russia Website” (becomes effective on 8 March 2020).

<sup>3</sup> 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 Organized Trades and the Listing on Which Relieves Organizations Engaged in Operations with Monetary Funds and Other Assets of the Need to Identify Beneficiary Owners of Foreign Organizations Whose Securities Are Listed on Such Exchanges (ceased to be in force since 1 January 2020).



the Russian regulatory framework. The NSD Databases are updated in real-time and provide 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 NSD by sending an electronic inquiry to [ISIN@nsd.ru](mailto: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 meets 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/](https://www.isin.ru/en/foreign_isin/db/) and will become available to all Russian financial market participants for the qualification of this instrument under Clause 4 of the Directive.

## **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 the CFI code was assigned to foreign financial instruments and it has the values set by Subclause 4.2 of Clause 4 of Ordinance (please see 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 organization 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 Ordinance;
- correlation of values of CFI code of foreign financial instruments with the values established by Subclause 4.2 of clause 4 of the Ordinance (please see Table 1 below).

For searching ISIN and CFI codes could be used the official Database of Association of National Numbering Agencies (ANNA): <https://www.anna-web.org/> (free registration is required).





**Table 1. Requirements to the values of CFI code of foreign financial instrument to be qualified as security for trading in Russia**

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

Source: compiled by the authors based on Clause 4.2 of the Ordinance.

### Option 3

**If foreign financial instruments have CFI code that has values other than specified in Subclause 4.2 of Clause 4 of the Ordinance, by Clause 3 of Ordinance 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 under 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.



## About the contributors to the Guidance



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

SRO NFA effectively implements all SRO functions regarding 6 kinds of professional activities on the securities market and also to special depositories.

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



National Settlement Depository (NSD) is a key component of the Russian financial infrastructure and is the registrar of financial transactions. NSD is recognized as the systemically important depository and systemically important repository by the Bank of Russia. NSD is the nationally and systemically important payment system operator and also performs the functions of all payment infrastructure operators

NSD provides a wide range of settlement and depository (custody), including depository services, settlement services and repository services, information and technology services, collateral management.

NSD performs all of the exchange settlements and most of the OTC settlements, working with Russian and foreign securities. To date, NSD has opened accounts in central depositories and international settlement and clearing centres of 8 countries. NSD has correspondent accounts in the leading international and Russian banks. NSD servicing securities of the issuers from more than 40 countries.

