

**FEDERAL LAW**  
**NO. 39-FZ OF APRIL 22, 1996**  
**ON THE SECURITIES MARKET**  
**(with the Amendments and Additions of November 26, 1998, July 8,**  
**1999, August 7, 2001, December 28, 2002)**

**Adopted by the State Duma on March 20, 1996**  
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## **Section I. General Provisions**

### **Chapter 1. Relations Determined by the Present Federal Law**

[Federal Law No. 185-FZ of December 28, 2002 amended Article 1 of this Federal Law](#)  
[See the previous text of the Article](#)

#### **Article 1. The Subject-matter Regulated by the Present Federal Law**

The present Federal Law shall regulate relations arising during the issue and circulation of securities, regardless of the type of the issuer, during the circulation of other securities in the instances provided for by federal laws and also the specific features of the creation and functioning of the securities market-makers.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 2 of this Federal Law](#)  
[See the previous text of the Article](#)

## **Article 2.** The Basic Terms Used in This Federal Law

**The issued security** is any paper security, including a non-documentary security, marked by the following features:

it records the totality of property and non-property rights subject to certification, assignment, and unconditional exercise with the observance of the form and order established by this Federal Law;

it is placed by issues;

it grants rights equal in time and extent within any one inside issue, regardless of the time of acquiring a security.

**The share** is an issued security that fixes the rights of its owner (shareholder) to receive part of the profit of a corporation in the form of dividends, to participate in the management of the corporation, and to receive part of the property that remains after its liquidation. The share is an inscribed security.

**The bond** is an issued security that fixes the right of its holder to receive a bond from the issuer at its nominal value, in the period of time provided for by it, or other property equivalent. The bond may likewise provide for the right of its holder to receive the interest, fixed in it, on the nominal value thereof or for other property rights. The income on a bond is interest or discount.

**The issuer's option** is an emissive security fixing the right of the owner thereof to the purchase of a certain number of shares of such option's issuer at the price determined in the issuer's option within the time period specified therein and/or in the event of the on-set of the circumstances indicated therein. The issuer's option is an inscribed security. A decision on placement of the issuer's options shall be rendered and their placement shall be effected in compliance with the rules of placing securities, convertible into shares, established by federal laws. With this, the price of placing shares in pursuance of the requirements with regard the issuer's options shall be determined in compliance with the price determined in such option.

**The issue of emissive securities** means the totality of all securities of one issuer which provide to owners thereof an equal measure of rights and have an equal value in the instances where the presence of the nominal value is provided for by laws of the Russian Federation. A single state registration number extending to all securities of a given issue shall be assigned to the issue of emissive securities.

**An additional issue of emissive securities** means the totality of the securities placed in addition to previously placed securities of the same issue of emissive securities. The securities of an additional issue shall be placed on equal terms.

**The issuer** is a legal entity or an executive or local self-government body that incurs obligations on its own behalf to the owners of securities in the exercise of the rights recorded by them.

*According to [Federal Law No. 46-FZ of March 5, 1999 the emission of bonds and other emission securities by noncommercial organizations shall only be permitted in cases envisaged in federal laws and other normative acts of the Russian Federation in the presence of collateral defined in the mentioned normative acts](#)*

**Registered issued securities** are securities, the information about the owners of which shall be accessible to the issuer in the form of a register of the owners of securities; the transfer of the rights to the securities and the exercise of the rights recorded by them require the identification of the owner.

**Issued securities to bearer** are securities, the transfer of rights to which, and the exercise of the rights recorded by which, do not require the identification of the owner.

**The documentary form of issued securities** is the form of issued securities, under which their owner is identified on the basis of a produced and property completed certificate of a security

and in case such security is deposited, on the basis of the entry in a special custody account.

**The non-documentary form of issued securities** is the form of issued securities, under which their owner is identified on the basis of an entry into a system of keeping a register of the owners of securities, or if they are deposited, then on the basis of an entry in a special custody account.

**Decision on the issued securities** is a document containing the data sufficient for the ascertainment of the volume of the rights recorded by a security.

**The certificate of the issued security** is a document issued by the issuer and certifying the totality of rights to the number of securities indicated in the certificate. The owner of the securities has the right to demand that the issuer perform its obligations on the basis of such certificate.

**The owner** is a person to whom securities belong by right of ownership or any other proprietary interest.

**The circulation of securities means** the conclusion of civil-law transactions which involve the transfer of the rights of ownership of securities.

**The placement of issued securities** means the transfer of issued securities by the issuer to the first owners, by means of concluding civil-law transactions.

**The issue of securities** means the sequence of the issuer's actions in placing the issued securities, established by this Federal Law.

**Professional securities market-makers** are legal entities, who are engaged in the activities referred to in [Chapter 2](#) of this Federal Law.

**The financial consultant at the securities market** is a legal entity that has the license for the exercise of broker's and/or dealer's activities and renders services to the issuer regarding the preparation of the securities issue prospectus.

**The acquirer in good faith** is a person who has bought securities and paid for them, who at the time of acquisition did not and could not know about the rights of third persons to these securities, unless the contrary is proved.

**The state registration number** is a digital (alphabetical or symbolical) code that identifies a specific issue of securities.

**The public placement of securities** means placement of securities by way of open subscription, including placement of securities through stock exchange auction sales and/ or through other trade promoters at the securities market.

**The public circulation of securities** means the circulation of securities at auction sales of stock exchanges and/or of other trade promoters at the securities market, circulation of securities by way of offering securities to an unlimited circle of persons, and also with the use advertising.

**The listing** means the inclusion of securities into the quotation list.

**The delisting** means the exception of securities from the quotation list.

## **Section II. Professional Securities Market-Makers**

### **Chapter 2. Types of Professional Securities Market Making**

[Federal Law No. 185-FZ of December 28, 2002 amended Article 3 of this Federal Law](#)  
[See the previous text of the Article](#)

#### **Article 3. Brokerage**

**1. Brokerage** means the activity aimed at making civil law transactions in securities on behalf and at the expense of a client (including the issuer of emissive securities) or in one's own name and at the expense of a client on the basis of repayable contracts made with the client.

A professional securities market-maker engaged in broker's activity shall be called a broker.

In the event of rendering by a broker the services related to placement of emissive securities, the broker shall be entitled to acquire at his own expense the securities which are not placed within the term provided for by a contract.

**2.** A broker shall follow his clients' instructions in good faith and in the order of their receipt. Transactions realized on behalf of clients shall be subject in all cases to priority execution as compared with the dealer's operations of the broker, when he combines broker's and dealer's activities.

If a conflict of interests between a broker and his client, on which the client had not been notified before the broker received the relevant order, has caused damage to the client, the broker shall be obliged to compensate for the losses in the order prescribed by the [civil legislation](#) of the Russian Federation,

**3.** The clients' monetary assets transferred by them to the broker for investing into securities, as well as the monetary assets derived from the transactions made by a broker on the basis of contracts with clients, have to be kept on a separate banking account (accounts) to be opened by the broker with a credit organization (a special broker's account). A broker shall be obliged to keep records of monetary assets of each client thereof kept on a special broker's account (accounts) and to report to his client therefor. There may not be levied execution, related to a broker's liabilities, against the monetary assets of his clients kept at a special broker's account (accounts). A broker shall not be entitled to enter his own monetary assets on a special broker's account, save for the instances of their return to his client and/or granting a loan to his client in the procedure established by this Article.

A broker shall be entitled to use in his interests the monetary assets kept on a special broker's account (accounts), where it is provided for by a broker's service contract, guaranteeing to the client that he will follow his instructions at the expense of said monetary assets or will return thereof upon request of the client. The monetary assets of the clients, that have entitled a broker to use them in his interests, have to be kept on a special broker's account (accounts) separate from the special broker's account (accounts) where monetary assets of the clients, that have not entitled the broker to do this, are kept. Monetary assets of the clients that have entitled a broker to use them may be entered by the broker on his own bank account.

The requirements of this Item shall not extend to credit organizations.

**4.** A broker shall be entitled to lend monetary assets and/or securities to his client for making purchase and sale transactions in securities on condition of the client's providing security in the way stipulated by this Item. Transactions made with the use of the monetary assets and/or securities lent by a broker shall be called marginal transactions.

The terms and conditions of a loan agreement, including the amount of the loan or a procedure for determining it, may be specified by a broker's service contract. With this, as a document to certify lending a certain amount of money or a certain number of securities, there shall be recognized a broker's report on marginal transactions made or other document determined by a contract's terms and conditions.

A broker shall be entitled to recover interest on the loans granted to a client. As security for a client's liabilities related to granted loans, a broker shall be only entitled to accept the securities owned by the client and/ or acquired by the broker for the client within the framework of marginal transactions.

The amount of security provided by a client shall be determined by a broker on the basis of the market value of the securities, serving as security, that has been formed by auction sales held by a stock exchange or by other trade promoters, less the reduction established by the contract. The securities serving as security of a client's liabilities related to the loans granted by a broker shall be subject to revaluation.

In the event of failure to return in due time a loan and/or borrowed securities or failure to pay in due time interest on a granted loan, as well as if the amount of security gets less than the amount of a loan granted to a client (less than the market value of borrowed securities formed at auction sales held by a stock exchange and/or by other trade promoters at the securities market), the broker shall levy execution against the monetary assets and/or securities, serving as security for the client's liabilities related to the loans granted by the broker, in an extra-judicial procedure by way of selling such securities at auction sales held by a stock exchange and/or by other trade promoters at the securities market.

As security for a client's liabilities related to loans granted by a broker, there may be only accepted the liquid securities included into the quotation list of trade promoters at the securities market. The liquidity criteria of said securities, the minimum amount of the reduction, the procedure for determining the market value of the securities accepted by a broker as security, the procedure and terms for revaluation thereof, as well as the requirements to the time, procedure and conditions of selling the securities that serve as security for a client's liabilities related to the loans granted by the broker, shall be established by normative legal acts of the federal executive body for the securities market.

#### **Article 4.** The Dealer's Activity

By dealer's activity is meant the completion of contracts of sale of securities on one's own behalf and at one's expense by declaring in public the prices of purchases and/or sale of securities with the obligation to buy and/or sell these securities at the prices announced by the person engaged in such activity.

A professional securities market-maker engaged in dealings is called a dealer. Only a legal entity that is a [commercial organization](#) may be a dealer.

A dealer shall have the right to announce, in addition to prices, other essential terms and conditions of the contract of sale of securities, the minimum and maximum number of securities being bought and/or sold, and also the period of time during which the declared prices are valid. In the absence in the announcement of a reference to other essential terms and conditions, the dealer shall be obliged to conclude a contract on the essential terms offered by his client. If the dealer eludes the contract, then an action may be brought against him for the compulsory conclusion of such contract and/or for the compensation of the losses caused to the client.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 5 of this Federal Law](#)  
[See the previous text of the Article](#)

#### **Article 5.** The Management of Securities

*See the [Regulations on the Trust Management of Securities and Securities Investment Resources approved by Decision of the Federal Securities Market Commission No. 37 of October 17, 1997](#)*

For purposes of the present Federal Law, the management of securities means the management of securities and mone in a trust account by the legal entity on his behalf for remuneration over a definite period of time. Trust management shall be exercised over the securities, monetary resources intended for investment in securities, and also assets and securities received in the process of managing securities. Those securities and monetary means belonging to other persons shall be placed in the possession of the individual businessman for the benefit of this other person or the third persons indicated by him.

A professional securities market-maker engaged in the management of securities is called a manager.

The presence of the license for the exercise of activity of securities' management shall not be required, where the trust management is only connected with the manager's exercising the rights to the securities.

The procedure for the management of securities, and the rights and duties of a manager, shall be determined by the laws of the Russian Federation and by contracts.

In his activities the manager shall be obliged to indicate that he acts as a manager.

If the [conflict of interests](#) of the manager and his client of different clients of one manager, about which the parties have not been notified in advance, has led to the manager's actions detrimental to the interests of the client, the manager shall be obliged to compensate for the losses in the procedure, established by the civil legislation.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 6 of this Federal Law](#)  
[See the previous text of the Article](#)

#### **Article 6.** The Determination of Mutual Obligations (Clearing)

Clearing means the determination of mutual obligations (the collection, checking and correction of information about deals with securities and the preparation of accounting records on them) and the offset of the deliveries of securities and payments for them.

In connection with the payments for dealing in securities the organizations that carry on the clearing of securities shall accept for execution the accounting records, prepared during the definition of mutual obligations, on the basis of their contracts with the securities market-makers for whom payments are made.

The clearing organization which makes payments for deals with securities shall be obliged to form special funds for reducing the risk of the non-fulfilment of deals with securities. A minimum size of special funds of clearing organizations shall be established by the Federal Commission for the Securities Market by agreement with the Central Bank of the Russian Federation.

*See the [Regulations on the Clearing Activity on the Securities Market of the Russian Federation approved by Decision of the federal executive body for Security Market No. 32/ps of August 14, 2002](#)*

A clearing organization shall be obliged to endorse the rules of exercising clearing activity.

A clearing organization shall be obliged to register the rules of exercising clearing activity, as well as amendments and additions to be introduced thereto, with the federal executive body for the securities market.

#### **Article 7.** Depositary Activity

*See the [Provisional Regulations on the Clearing Activity on the Securities Market in the Russian Federation approved by Decision of the Federal Securities Market Commission No. 44 of December 30, 1997](#)*

*See also the [Regulations on the Activities of Specialized Depositories of Stock Investment Funds, Unit Investment Funds and Non-Governmental Pension Funds endorsed by Decision of the Federal Securities Market Commission No. 40-ps of October 9, 2002](#)*

Depositary activity means the rendering of services in the custody of certificates of securities, and/or the record-keeping of securities and the transfer of rights to them.

A professional securities market-maker engaged in the depositary activity is called a depositary. Only a legal entity may be a depositary.

A person who makes use of a depositary's services in the custody of securities and/or the record-keeping of the rights to securities is called a depositor.

A contract concluded between a depositary and a depositor, which regulates their relations in the process of the depositary activity, is called a depositary contract (a contract for a special custody account). A depositary contract shall be concluded in written. The depositary shall be obliged to endorse the terms of the depositary activity, which are integral part of the concluded depositary contract.

The conclusion of a depositary contract shall not involve the transfer to the depositary of the right of ownership of the depositor's securities. The depositary shall have no right to dispose of the depositor's securities, to manage them, or to perform any actions with securities on behalf of the depositor, except for those performed on the depositor's order in cases provided for by the depositary contract. The depositary shall have no right to condition the conclusion of a depositary contract with the depositor on the abandonment by the latter of any of the rights recorded by the securities. The depositary shall bear civil liability for the safety of the certificates of securities

deposited with it.

No execution may be levied on a depositors' securities based on the depositary's obligations.

On the basis of agreements with other depositaries, a depositary shall have the right to use them to discharge its duties for keeping in custody the certificates of securities and/or for keeping records of the rights to the depositors' securities (that is, to become a depositor of another depositary, or to accept another depositary as a depositor), unless this is prohibited by the depositary contract concerned.

If one depositary is a depositor of another depositary, then the depositary contract between them shall provide for the procedure of receipt of information about the owners of securities, registered in the depositary-depositor, and also in the depositary-depositors, in cases, provided for by the laws of the Russian Federation.

The depositary contract shall contain the following essential terms and conditions:

a) an unambiguous definition of the subject-matter of the contract: the rendering of services in the custody of certificates of securities and/or in the record-keeping of the rights to securities;

b) the procedure for the transfer by the depositor of information about the disposal of the depositors' securities deposited in the depositary;

c) a validity term for the contract;

d) the scope and procedure of payment for the depositary's services, envisaged by the contract;

e) the form and periodicity of the depositary's reporting to the depositor concerned;

f) the obligations of the depositary.

The obligations of the depositary shall include:

the registration encumbrances on the depositor's securities;

the keeping of the depositor's special custody account separate from other accounts, with an indication of the date and grounds for each operation in the account;

the transfer to the depositor of all information about securities which has been received by the depositary from the [issuer](#) or the keeper of the register of the owners of securities.

The depositary shall have the right to be registered in the system of keeping registers of the owners of securities, or in another depositary, as a nominal holder in keeping with the depositary contract.

The depositary shall bear responsibility for the non-fulfilment or improper fulfilment of its obligations in the record-keeping of rights to securities, including for the fullness and correctness of entries in special custody accounts.

In accordance with the depositary contract, the depositary shall have the right to receive in its account income from securities kept for the purpose of its transfer to the accounting of depositors.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 8 of this Federal Law](#)

[See the previous text of the Article](#)

*For keeping the registers of joint-stock companies, see the [Federal Law No. 208-FZ of December 26, 1995 on Joint-stock Companies](#)*

## **Article 8.** The Keeping of the Register of Securities Owners

*See the [Regulations for Keeping the Register of Owners of Registered Securities approved by Decision of the Federal Commission on the Securities Market No. 27 of October 2, 1997](#)*

*See the [Regulations on the Procedure for Keeping a Register of Holders of the Investment Shares of Investment Trusts approved by Decision of the Federal Securities Market Commission No. 20/ps of June 7, 2002](#)*

1. The keeping of the register of securities owners shall include the collection, fixation, treatment, storage and submission of data comprising the system of keeping the register of

securities owners.

Only legal entities shall have the right to keep the register of securities owners.

Persons engaged in the keeping of registers of securities owners are termed registrars of securities.

A legal entity that keeps a register of securities owners, registered in the system of keeping the registers of issuers, shall have no right to make deals with securities.

The system of keeping a register of securities owners shall be understood to mean the totality of data, fixed by paper carriers and/or with the use of electronic data bases, which provides for the identification of nominal holders and owners of securities registered in the system of keeping the registers of securities owners, and the record-keeping of their rights to securities registered in their name, and which makes it possible to receive and send information to said persons and to draw up a register of securities owners.

The system of keeping the register of securities owners shall provide for the collection and storage of information during the time-limits fixed by the laws of the Russian Federation. This information shall cover all the facts and documents which necessitate the introduction of changes in the system of keeping the register of securities owners, and all the actions by the registrar for the introduction of these changes.

No system of keeping a register of securities owners shall be kept for securities to bearers.

The register of securities owners (hereinafter referred to as the register) shall be a part of the system of keeping the register that represents the list of registered owners with an indication of the number, nominal value, and category of registered securities which belong to these owners. This list may be drawn up on any fixed date, and shall made it possible to identify these owners, and the number and category of the securities that belong to them.

The owners and nominal holders of securities shall be obliged to observe the rules for the submission of information to the system of keeping the register.

The register may be kept by an issuer or a professional securities market-maker engaged in the keeping of the register on the order of the issuer. If the number of owners exceeds 500, then the register may be kept by an independent specialized organization as a professional securities market-maker, engaged in keeping the register concerned. The registrar shall have the right to delegate some of its functions in collecting information which is part of the system of keeping the register, to other registrars. The delegation of these functions shall not absolve the registrar from its own responsibility on the issue concerned.

*On Peculiarities of Work of a Registrar Having Branches, see Decision of the Federal Securities Commission No. 7 of March 26, 2001*

A contract for keeping the register shall only be concluded with one legal entity. The registrar may keep the registers of securities owners for an unlimited number of issuers.

**2.** A nominal holder of securities is a person registered in the system of keeping the register, and is also a depositor of the depositary concerned, but not the owner of these securities.

Professional securities market-makers may act as nominal holders of securities. A depositary may be registered as a nominal holder of securities in accordance with the relevant depositary contract. A broker may be registered as a nominal holder of securities in conformity with the contract on the basis of which he services clients.

A nominal holder of securities may exercise the rights fixed by a paper security only if he has received the corresponding power from the holder.

Data on the nominal holder of securities shall be subject to entry in the system of keeping the register by the registrar on behalf of the owner or the nominal holder of securities, if the latter persons have been registered in this system of keeping the register.

The entry of the name of the nominal holder of securities in the system of keeping the register, and also the re-registration of securities in the name of the nominal holder, shall not involve the transfer of the property and/or other proprietary rights securities to the latter nominal holder. The securities of clients of the nominal holder of securities shall not be recovered for the benefit of the

latter's creditors.

Securities trading between the owners of securities of one nominal holder of securities shall not be reflected in the register of the holder of the depositary of which it is a client.

The nominal holder of registered securities which he holds in the interest of other persons shall be obliged:

to perform all the necessary actions for the guaranteed receipt by this person of all the payments due to him according to these securities;

to make deals and operations with securities exclusively on the order of the person in whose interests he acts as a nominal holder of securities and in keeping with the contract concluded with this person;

to keep record of the securities which he holds in the interests of other persons in separate below-line accounts and to have constantly in separate below-line accounts a sufficient number of securities for the purpose of satisfying the requirements of the persons, in the interest of which he holds these securities.

On the owner's demand the nominal holder of securities shall be obliged to make an entry on the transfer of securities to the owner in the system of keeping the register.

*On exercising the functions of a nominal holder by professional participants of the securities market see the Letter of the federal executive body for the Securities Market No. IB-09/2176 of April 26, 1999*

To realize the rights of owners fixed by the securities, the registrar shall have the right to demand that the nominal holder of securities should submit the list of the owners, the nominal holder of which he is as a definite date. The nominal holder of securities shall be obliged to make the required list and forward it to the registrar during seven days after the receipt of the demand. If the required list is necessary for making a register, the nominal holder of securities shall not receive remuneration for drawing up this list.

The nominal holder of securities shall bear responsibility for the refusal to submit the said lists to the registrar to his clients, the registrar and the issuer in keeping with the legislation of the Russian Federation.

**3.** An issuer who has charged the registrar with the conduct of the system of keeping the register may demand that the latter should annually submit the register, for a fee that does not exceed the costs of its compilation, while the registrar shall be obliged to submit the register for this fee. In other cases, the amount of the fee shall be determined by the contract of the issuer and the registrar.

The registrar shall have the right to collect from the parties a fee which corresponds to the number of orders on the transfer of securities and which is equal for all legal entities and natural persons. The registrar shall have no right to collect from the parties to the transaction a charge in the form of a percentage of the value of the transaction.

The procedure for estimating the maximum amount of the payment for the registrar's services in entering data in the register and issuing extracts from the register shall be determined by the federal executive body for the Security Market.

A person who improperly fulfils the procedure for supporting the system of keeping and compiling the register, and who has breached the forms of reporting (to the issuer, registrar, depositary, and owner) may face a claim for the indemnity of any losses (including the loss of profit) that have arisen due to the impossibility of exercising the rights recorded by the securities.

*On the violations committed by registers, which may be considered to be gross violations see Letter of the federal executive body for the Securities Market No. IK-07/2862 of June 16, 2000*

On the demand of the owner of securities, or of the person who acts on his behalf, and also of the nominal holder of securities, the registrar shall be obliged to present an extract from the system of keeping the register regarding his personal account during five working days. The owner of

securities shall have not right to demand that irrelevant information, including information about other owners of securities and the number of their securities, should be included in the extract from the system of keeping the register.

The document issued by the registrar shall be an extract from the system of keeping the register. The extract shall indicate the owner of a personal account, the number of securities of each issue held in this account at the time of the issue of the extract, the facts of their encumbrance by liabilities, and also other information on these securities.

The extract from the system of keeping the register shall contain a not about all limitations or the facts of encumbrance of securities to which the extract is given by the liabilities, fixed on the date of its compilation in the system of keeping the register.

Extracts from the system of keeping the register, drawn up in the course of the placement of securities, shall be issued to their owners free of charge.

The person who has given the said extract shall bear responsibility for the fullness and authenticity of information contained therein.

The rights and obligations of the registrar and the procedure for keeping the register shall be determined by the applicable legislation and the contract concluded between the registrar and the issuer.

*Today the [Provisional Regulations](#) for Keeping the Register of Owners of Registered Securities are in force. They were endorsed by [Decision](#) of the federal executive body for Securities and the Stock Market No. 3 of July 12, 1995.*

The registrar shall discharge the following obligations:

it shall open a personal account in the system of keeping the register to every owner who has expressed his wish to be registered by the registrar, and also to the nominal holder or securities on the basis of its notification about the assignment of a claim or of the order to transfer securities; when [issued securities](#) are placed, it shall open a personal account on the basis of its notification of the seller of securities;

it shall introduce in the system of keeping the register all the requisite changes and additions;

*On the Procedure for Registration in the System of Keeping a Register of Shares Incompletely Paid, see [Decision](#) of the Federal Commission for Securities Market No. 21 of August 30, 2001*

*On the specifics of registration in the system of keeping the register of pledging inscribed emissive securities and of introduction into the system of keeping the register the amendments concerning the lapse of rights to pledged inscribed emissive securities, see [Decision](#) of the Federal Commission for Securities Market No. 13/ps of April 22, 2002*

it shall carry on operations in the personal accounts of owners and nominal holders of securities only on their commission;

it shall bring to the notice of the registered persons the information, submitted by the issuer;

it shall submit to the owners and nominal holders of securities, registered in the system of keeping the register and possessing over one per cent of the issuer's voting [shares](#), the data from the register on the names of the registered owners and on the number, category and nominal value of the security that belong to them;

it shall inform the owners and nominal holders of securities, registered in the register keeping system about the rights recorded by securities and about the methods and procedure for the exercise these rights;

it shall strictly observe the procedure for the transfer of the register keeping system in case of the dissolution of the contract concluded with the [issuer](#).

The form of the order on the transfer of securities and information therein shall be established by the federal executive body for the Securities Market.

The registrar shall have no right to make additional demands, while introducing changes in the

given systems of keeping the register in addition to those established in the order, provided for by the present Federal Law.

As soon as the validity term of a contract for sustaining the register keeping system, concluded between the issuer and the registrar, is over, the latter shall transfer to another registrar indicated by the issuer the information, received from the issuer, all the data and documents comprising the register keeping system, and also the register, compiled on the date of the termination of the contract. The transfer shall take place on the day of the dissolution of the contract.

In case of the replacement of the registrar the issuer shall announce this in mass media or notify in writing all the owners of securities at his expense.

All the extracts issued by the registrar after the date of the termination of the contract with the issuer shall be null and void.

The registrar shall introduce changes to the register keeping system on the following grounds:

1) the order of the owner on the transfer of securities or of the person acting on his behalf, or if the nominal holder of securities who has been registered in the register keeping system in accordance with the rules for keeping the register, established by the legislation of the Russian Federation, and also in case of the placement of [securities](#) - in compliance with the order prescribed by this Article;

2) other documents confirming the transfer of the right of ownership of securities in accordance with the civil legislation of the Russian Federation.

In case of the documentary form of issued securities that provides for the possession of these securities by their owners the certificate of a security shall be submitted in addition to said documents. The name of the person indicated in the certificate as the owner of the registered security shall correspond to the name of the registered person, referred to in the order on the transfer of securities.

No refusal to make an entry in the register keeping system or no evasion from such entry, including in respect of the [acquirer](#) in good faith, shall be allowed, except for the cases, envisaged by federal laws.

#### **Article 9.** The Organization of Trading on the Securities Market

The organization of trading on the securities market refers to the rendering of services which directly promote the conclusion of civil-law transactions with securities among the securities market-makers.

The professional securities market-makers engaged in the organization of trading on the securities market are called the organizers of trading on the securities market.

*See the [Regulations on the demands, made on trade organizers on the securities market approved by \[Decision of the Federal Commission for Security Market No. 1-ps of January 4, 2002\]\(#\)](#)*

A trading organizer shall be obliged to disclose the following information to any interested person:

- the rules for the admission of securities market-makers to bidding;
- the rules for the admission of securities for bidding upon;
- the rules for the conclusion and checking of transactions;
- the rules for the registration of transactions;
- the order of the execution of transactions;
- the rules restricting the manipulation of prices;
- the time-table for rendering services by the trading organizer on the securities market;
- the regulations for the introduction of changes and additions to the above-listed items;
- the list of securities admitted to bidding.

The following information shall be submitted to any interested person about each transaction concluded in keeping with the rules, established by the trading organizer:

- the date and time of the conclusion of a transaction;

the name of securities as the subject of a transaction;  
the state registration number of securities;  
the price of one security;  
the quantity of securities.

Federal Law No. 185-FZ of December 28, 2002 supplemented Article 9 of this Federal Law with the following part:

A trade promoter at the securities market shall be obliged to register with the federal executive body for the securities market the documents containing the information indicated in Part Three of this Article, as well as amendments and additions introduced to them.

Federal Law No. 185-FZ of December 28, 2002 amended Article 10 of this Federal Law  
See the previous text of the Article

**Article 10.** The Combination of Professional Types of Securities Market-making

The register keeping shall not allow the combination of this activity with other types of professional activity on the securities market.

Restrictions on the combination of the types of activity and operations with securities shall be introduced by the federal executive body for the Securities Market.

*See the Regulations for the Specific Aspects and Restrictions of Combining the Brokerage, Dealing Activities and Activities of Trust Management of Securities and Centralized Clearing, Depository and Accounting Services approved by the federal executive body for the Securities Market, the Central Bank of Russia Nos 3, 16-P of January 20, 22, 1998*

Federal Law No. 185-FZ of December 28, 2002 supplemented Chapter 2 of this Federal Law with Article 10.1:

**Article 10.1.** Requirements to Officials of Professional Securities Market-Makers

**1.** The functions of the individual executive body of a professional securities market-maker may not be exercised by:

the persons that exercised the functions of the individual executive body or were members of the collective executive body of a management company of joint-stock investment funds, unit investment funds and non-governmental pension funds, of the specialized depository of joint-stock investment funds, unit investment funds and non-governmental funds, of a joint-stock investment fund, a professional securities market-maker, a credit organization, insurance organization and a nongovernmental pension fund at the moment of canceling (withdrawing) the licenses of these organizations for the exercise of appropriate types of activities for failure to meet the license requirements or at the moment of rendering a decision on the introduction of bankruptcy proceedings, if from the moment of such cancellation or from the moment of completing the bankruptcy proceedings less than three years have passed;

the persons having a previous conviction for economic crimes or for crimes against state power.

Said persons likewise may not be members of the board of directors (supervisory board ) and the collective executive body of a professional securities market-maker, as well as may not exercise the functions of the head of a control subdivision ( of an inspector) of a professional securities market-maker.

**2.** The federal executive body for the securities market has to be notified on the person elected for the office of the individual executive body and on the person appointed as the head of the control subdivision (as an inspector) of a stock exchange, of a professional participant of the

securities market engaged in clearing activity and of a depository making settlements with regard to the results of the transactions made at the auction sales, held by stock exchanges and/or by other trade promoters at the securities market, by agreement with such exchanges and/or trade promoters (of a clearance depository).

### Chapter 3. The Stock Exchange

Federal Law No. 185-FZ of December 28, 2002 reworded Article 11 of this Federal Law  
See the previous text of the Article

#### Article 11. A Stock Exchange

1. A securities market trade promoter meeting the requirements, that are established by this Article, shall be recognized as a stock exchange.

2. A legal entity may exercise the activity of a stock exchange, if it is a non-profit partnership or a joint-stock company.

*Paragraphs from Five to Seven of Item 8 of Article 1 of this Federal Law shall enter into effect as of January 1, 2004*

3. One shareholder of a stock exchange and affiliated persons thereof may not possess 20 and more per cent of shares of each category (type), while one member of the stock exchange of a non-profit partnership may not possess 20 and more per cent of votes at a general meeting of members of such exchange.

The restrictions indicated in Paragraph One of this Item shall not apply to the shareholders (members) of a stock exchange which are stock exchanges.

Only professional securities market-makers may be members of a stock exchange being a non-profit partnership.

With this, a procedure for joining such stock exchange and leaving it, as well as for exclusion from members of a stock exchange shall be determined by such stock exchange independently on the basis of internal documents thereof.

4. A legal entity, exercising the activity of a stock exchange, shall not be entitled to combine said activity with other types of activities, save for the activity of a currency exchange, commodity exchange (the activity of organizing exchange trade), clearing activity connected with making clearing transactions in securities and investment shares of unit investment funds, the activity of disseminating information, publishing activity, as well as with the exercise of the activity of letting property on lease.

Where a legal entity combines the activity of a currency exchange and/or of a commodity exchange (of the activity of organizing exchange trade), and/or clearing activity with the activity of a stock exchange, a separate structural subdivision has to be established for exercising each of said types of activity.

5. The person exercising the functions of the individual executive body or of the head of the control subdivision (of the inspector) of a stock exchange, and other workers of a stock exchange may not be workers and/or professional securities market-makers participating in auction sales at a given and/or other stock exchanges.

6. The stock exchanges being non-profit partnerships may be transformed into joint-stock companies. A decision on such transformation shall be rendered by members of such stock exchange by a three fourth majority of votes of all members of this stock exchange.

Federal Law No. 185-FZ of December 28, 2002 reworded Article 12 of this Federal Law  
See the previous text of the Article

#### Article 12. Participants of Auction Sales Held at a Stock Exchange

Only brokers, dealers and managers may participate in auction sales at a stock exchange.

Other persons may make transactions solely through brokers participating in the auction sales.

Only members of a stock exchange established in the form of a nonprofit partnership may participate in auction sales held at such exchange.

The procedure for admittance to participation in auction sales and for exclusion from the number of auction sales participants shall be determined by the rules established by the stock exchange.

Disparity of participants of auction sales held at a stock exchange, as well as the assignment of the right to participation in auction sales held at a stock exchange to third persons, shall not be allowed.

[Federal Law No. 185-FZ of December 28, 2002 reworded Article 13 of this Federal Law](#)  
[See the previous text of the Article](#)

### **Article 13.** Requirements with Regard to the Activity of a Stock Exchange

**1.** A stock exchange shall be obliged to endorse the following:

the rules of admittance to participation in auction sales held at the stock exchange;

the rules of holding auction sales at the stock exchange that have to contain the rules of making and registering transactions and the measures in order to prevent tampering with prices and the use of official information.

A stock exchange rendering the services which directly promote making transactions in securities, including investment shares of unit investment funds, shall be likewise obliged to endorse the rules of listing/delisting of securities and/or the rules of securities admittance to auction sales without following the listing procedure, while a stock exchange rendering the services which directly promote making the transactions whose commitments' fulfillment depends on the alteration of securities' prices or on the alteration of values of the indices computable on the basis of the aggregate of securities' prices (of stock indices), including the transactions providing for the exclusive duty of parties thereto to pay amounts of money depending on the alteration of securities' prices or on the alteration of the values of the stock indices, shall be likewise obliged to endorse the specifications of such transactions meeting the appropriate requirements of normative legal acts of the federal executive body for the securities market.

A stock exchange shall be obliged to register with the federal executive body for the securities market the documents indicated in this Item, as well as amendments and additions introduced to them.

**2.** A stock exchange has to exercise the permanent control over transactions made at the stock exchange for the purpose of detecting the instances of using official information and of tampering with prices, as well as over meeting by auction sales participants and the issuers whose securities are included into quotation lists, the requirements of the laws of the Russian Federation on securities and of normative legal acts of the federal executive body for the securities market.

Auction sales participants shall be obliged to present to the stock exchange by request thereof the information necessary for exercising control by it in compliance with the rules of holding auction sales at the stock exchange.

**3.** A stock exchange shall be obliged to ensure publicity and openness of auction sales held by way of notifying the auction sales participants on the time and place of holding the auction sales, on the list and quotation of the securities admitted to the auction sales at the stock exchange, on the results of trading sessions, as well as to provide other information indicated in [Article 9](#) of this Federal Law.

**4.** A stock exchange shall be entitled to establish the amount of, and the procedure for, recovering duties, fees and other payments from auction sales participants for the services rendered by it, as well as the amount of, and procedure for, imposing fines for violations of the rules established by it.

A stock exchange shall not be entitled to establish the amount of the remuneration recoverable by auction sales participants for making stock-exchange transactions.

[Federal Law No. 185-FZ of December 28, 2002 reworded Article 14 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 14.** Admittance of Securities to Auction Sales Held at a Stock Exchange

There may be admitted to auction sales held at a stock exchange the emissive securities, which meet the requirements of laws of the Russian Federation, in the course of placement and circulation thereof, as well as other securities, including investment shares of unit investment funds in the course of their giving out and circulation. Investment shares of unit investment funds shall be admitted to giving out and circulation at a stock exchange in the instances and in the procedure which are established by normative legal acts of the federal executive body for the securities market.

The rules of securities listing/delisting, including those of investment shares of unit investment funds, have to comply with the requirements of normative legal acts of the federal executive body for the securities market. The listing of emissive securities shall be effected by a stock exchange on the basis of a contract made with the issuer of the securities, while the listing of investment shares of a unit investment fund shall be effected on the basis of a contract made with a management company of this unit investment fund. There may be only included into quotation lists the securities which comply with the requirements of laws of the Russian Federation and normative legal acts of the federal executive body for the securities market. With this, a stock exchange shall be entitled to advance additional requirements in respect of the securities to be included into quotation lists.

Securities may be admitted to auction sales held at a stock exchange without following the listing procedure in compliance with the rules of admitting securities to auction sales without following the listing procedure.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 15 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 15.** Settlement of Disputes Arising in Connection with the Trading of Securities in the Stock Market

Disputes between auction sales participants held at a stock exchange, between the exchange members and their clients shall be examined by a court of law, a court of arbitration or an arbitration tribunal.

**Section III. On Issued Securities**

[See Federal Law No. 46-FZ of March 5, 1999 on Protection of Rights and Legitimate Interests of Investors at Securities Market](#)

**Chapter 4. Basic Provisions on Issued Securities**

[Federal Law No. 185-FZ of December 28, 2002 amended Article 16 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 16.** General Provisions

Emissive securities may be registered or payable to bearer. Registered emissive securities may be only issued in the non-documentary form, save for the instances provided for by federal laws. Emissive bearer securities may be only issued in the documentary form.

The owner of emissive bearer securities shall be given a certificate for each such security. By request of the owner thereof, he may be given one certificate for two or more emissive bearer securities, belonging to one issue, that he is going to acquire. This provision shall not apply to

emissive bearer securities with mandatory centralized keeping thereof.

A certificate of emissive bearer securities has to contain the requisite elements provided for by this [Federal Law](#). The requirements to the forms of certificates of emissive bearer securities, save for the forms of certificates of emissive bearer securities with mandatory centralized keeping, shall be established by normative legal acts of the Russian Federation.

The total number of emissive bearer securities which is indicated in all the certificates given out by the issuer thereof, does not have to exceed the number of emissive bearer securities that belong to a given issue.

It has to be determined by a decision on the issue of emissive bearer securities, or by a decision on the issue of registered emissive securities in the instances provided for by federal laws, that such securities are subject to mandatory keeping at the depository specified by the issuer thereof (emissive securities with mandatory centralized keeping). The certificate of emissive bearer securities with mandatory centralized keeping may not be handed in to the owner (owners) of such securities.

Any property and non-property rights, fixed in the documentary or non-documentary form, shall issued securities regardless of their name, if the conditions of their emergence and circulation correspond to the totality of the signs of the issue security, indicated in [Article 2](#) of this Federal Law.

Russian issuers shall be entitled to place securities behind the boundaries of the Russian Federation, and likewise through placement under foreign law securities of foreign issuers certifying the rights in respect of emissive securities of Russian issuers, solely by authority of the federal executive body for the securities market.

*See the [Regulations](#) for the Issue of the Permit by the Federal Commission for the Securities Market for the Admittance of Emission Securities of Russian Issuers to the Floatation or the Trading Beyond the Borders of the Russian Federation approved by [Decision](#) of the Federal Commission for the Securities Market No. 03-17/ps of April 1, 2003*

Organizing circulation of emissive securities of a Russian issuer behind the boundaries of the Russian Federation on the basis of a contract with the Russian issuer, and likewise through placement under foreign law of foreign issuers' securities certifying the rights in respect of emissive securities of Russian issuers, shall be only allowed by authority of the federal executive body for the securities market.

Said authorizations shall be issued by the federal executive body for the securities market in the event of observing the following terms:

if the state registration of the issue (additional issue) of securities of the Russian issuer has been effected;

if the securities of the Russian issuer are included into the quotation list of at least one trade promoter at the securities market;

if the number of the Russian issuer's securities which are supposed to be placed or put into circulation behind the boundaries of the Russian Federation, and likewise through placement under foreign law of securities of foreign issuers certifying the rights in respect of such securities, does not exceed the standard established by normative legal acts of the federal executive body for the securities market;

if the contract, that serves as a basis for placement under foreign law of foreign issuers' securities certifying the rights in respect of shares of Russian issuers, stipulates that the right of vote in respect of said shares shall be exercised just in compliance with the instructions of owners of said securities of foreign issuers;

if other requirements established by federal laws are met.

A permission to place and/or to put into circulation securities of Russian issuers behind the boundaries of the Russian Federation shall be issued by the federal executive body for the securities market on the basis of an application and the documents attached thereto that confirm the observance by the issuer of this Article's requirements. The exhaustive list of such documents shall be determined by normative legal acts of the federal executive body for the securities market.

A permission to place securities of a Russian issuer behind the boundaries of the Russian Federation may be issued simultaneously with the state registration of an issue (additional issue) of such securities.

The federal executive body for the securities market shall be obliged to issue said permit or to render a reasoned decision on the refusal to issue it within 30 days, as of the date of receiving all necessary documents.

The federal executive body for the securities market shall be entitled to verify the reliability of the data contained in the documents which are submitted for the receipt of the permission. In this case, the running of the time period provided for by [Part Twelve](#) of this Article may be suspended for the time of the verification but for 30 days at most.

*The [Regulations](#) on the Procedure for the Issuance of the Permission of the Federal Securities Market Commission for Clearing Issue Securities for Circulation outside the Russian Federation were approved by [Decision](#) of the Federal Securities Market Commission No. 7 of April 20, 1998*

[Federal Law](#) No. 185-FZ of December 28, 2002 reworded Article 17 of this Federal Law  
[See the previous text of the Article](#)

**Article 17.** A Decision on the issue (Additional Issue) of Emissive Securities

1. A decision on the issue (additional issue) of emissive securities has to contain the following:
  - the full denomination of the issuer, location and postal address thereof;
  - the date of rendering a decision on placement of the emissive securities;
  - the denomination of the issuer's authorized body that has rendered the decision on placing the emissive securities;
  - the date of endorsing the decision on the issue (additional issue) of the emissive securities;
  - the denomination of the issuer's authorized body that has endorsed the decision on the issue (additional issue) of the emissive securities;
  - the kind, category (type) of the emissive securities;
  - the rights of the owner thereof fixed by the emissive security;
  - the terms of placing the emissive securities;
  - an indication of the number of emissive securities in the given issue (additional issue) of emissive securities;
  - an indication of the total number of emissive securities in the given issue that have been previously placed (in the event of placing an additional issue of the securities);
  - an indication whether the emissive securities are registered ones or payable to bearer;
  - the nominal value of the emissive securities, where the presence of the nominal value is provided for by laws of the Russian Federation;
  - the signature of the person exercising the functions of the issuer's executive body and the issuer's seal;
  - other data provided for by this federal law and other federal laws on securities.

The description or model of the certificate shall be attached to a decision on the issue (additional issue) of emissive securities in the documentary form.

2. A decision on the issue (additional issue) of emissive securities of a business company shall be endorsed by the board of directors (supervisory board) or by the body exercising in compliance with federal laws the functions of the board of directors (supervisory board) of this business company. A decision on the issue (additional issue) of emissive securities of legal entities which have other organizational and legal forms shall be endorsed by the supreme governing body thereof, if not otherwise established by federal laws.

A decision on the issue of bonds, whose issuer's fulfillment of commitments in respect of the bonds is secured by a pledge, a bank guarantee or in other ways provided for by this Federal Law, has likewise to contain data on the person that has provided security and on the terms of the security. The composition of data on the person, that provides security, shall be determined by the federal executive body for the securities market. In this case, a decision on the issue of bonds has

likewise to be signed by the person providing such security. The bond, in respect of which the fulfillment of commitments is secured in one of said ways, shall likewise grant to the owner thereof the right of claim with regard to the person that has provided such security.

A decision on the issue of registered bonds or documented bonds with mandatory centralized keeping thereof has likewise to contain an indication of the date when the list of bonds' owners is composed for fulfillment by their issuer of the commitments with regard to the bonds.

Such date may be fixed at earliest 14 days before the maturation of bonds. With this, the fulfillment of commitments in respect of an owner thereof, included into the list of bonds' owners, shall be recognized as proper, and likewise in the event of alienation of bonds after the date of composing the list of bonds' owners.

**3.** The issuer shall not be entitled to alter a decision on the issue (additional issue) of emissive securities, insofar as it relates to the measure of rights related to the emissive security, established by this decision, after the state registration of the issue (additional issue) of the emissive securities.

**4.** A decision on the issue (additional issue) of emissive securities shall be drawn up in three copies. After the state registration of an issue (additional issue) of emissive securities one copy of the decision on the issue of the securities shall be kept by the registering body, while the other two copies shall be given out to the issuer thereof. Where the register of registered emissive securities' owners is kept by a registrar, as well as where emissive bearer securities to be placed by the issuer thereof are emissive securities with mandatory centralized keeping, one copy of the decision on the issue of the emissive securities shall be transferred by the issuer for keeping to the registrar or to the depository that effect the mandatory centralized keeping. If there are differences in the texts of the copies of a decision on the issue (additional issue) of emissive securities, the text of the document, kept by the registering body, shall prevail.

**5.** When effecting the state registration of an issue (additional issue) of emissive securities, on each copy of a decision on the issue (additional issue) of emissive securities there shall be made a note on the state registration of the issue (additional issue) of the emissive securities and indicated the state registration number assigned to the issue (additional issue) of the emissive securities.

**6.** The issuer and/or the registrar shall be obliged by request of a person concerned to present to him a copy of a decision on the issue (additional issue) of emissive securities payable in the amount that shall not exceed the expenses on the production thereof.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 18 of this Federal Law](#)  
[See the previous text of the Article](#)

#### **Article 18.** The Form of the Certification of the Rights Comprising the Issued Security

In the [documentary form](#) of [issued securities](#) the certificate and the decision on the issue of securities are the documents which certify the rights, fixed by the security.

In the [non-documentary form](#) of issued securities the decision on the issue of securities is a document which certifies the rights, fixed by the security.

The issued security shall fix the property rights in the scope in which they have established in the decision on the issue of securities and in conformity with the legislation of the Russian Federation.

The certificate of an emissive security has to contain the following mandatory requisite elements:

the full denomination of the issuer thereof, its location and postal address;

the kind, category (type) of the emissive securities;

the state registration number of the issue of the emissive securities and the date of the state registration thereof;

the rights of the owner thereof fixed by the emissive security;

the terms of fulfilling the commitments by the person, that has provided security, and data on this person in the event of issuing secured bonds;

an indication of the number of the emissive securities attested by this certificate;

an indication of the total number of emissive securities in the given issue of emissive securities;

an indication whether the emissive securities are subject to mandatory centralized keeping and, if so, the denomination of the depository effecting centralized keeping thereof;

an indication that the emissive securities are bearer emissive securities;

the signature of the person exercising the functions of the issuer's executive body and the issuer's seal;

other requisite elements provided for by laws of the Russian Federation for a specific type of emissive securities.

If there is a divergence between the text of the decision on the issue of securities and the date, cited in the certificate of the issued security, its owner shall have the right to demand the exercise of the rights, recorded by this security in the scope, established by the certificate. The issuer shall bear responsibility, if the data contained in the certificate of the issued security do not coincide with the data contained in the decision on the issue of securities in keeping with the legislation of the Russian Federation.

## **Chapter 5. The Issue of Securities**

*See [Review of the Practice of Resolving Disputes Involved in the Refusal in the State Registration of the Issue of Shares and in Recognizing the Issue of Shares as Invalid given by Informational Letter of the Higher Arbitration Court of the Russian Federation No. 63 of April 23, 2001](#)*

*[Federal Law No. 185-FZ of December 28, 2002 reworded Article 19 of this Federal Law](#)  
[See the previous text of the Article](#)*

### **Article 19.** Procedure for the Issue of Securities and Stages Thereof

**1.** The procedure for the issue of emissive securities, if not otherwise provided for by federal laws, shall include the following stages:

deciding on placement of emissive securities;

endorsing the decision on the issue (additional issue) of emissive securities;

the state registration of the issue (additional issue) of emissive securities;

the placement of emissive securities;

the state registration of the report on the results of the issue (additional issue) of emissive securities.

The emissive securities, whose issue (additional issue) has not been registered by the state in compliance with the requirements of this Federal Law, shall not be subject to placement.

When establishing a joint-stock company or reorganizing legal entities in the form of merger, division, detachment and transformation, placement of emissive securities shall be effected prior to the state registration of their issue, while the state registration of the report on the results of emissive securities' issue shall be effected simultaneously with the state registration of the emissive securities' issue.

**2.** The state registration of the issue (additional issue) of emissive securities shall be accompanied by registration of the issue prospectus thereof in the event of placing emissive securities by way of open subscription or by way of closed subscription among the circle of persons whose number exceeds 500.

Where the state registration of an issue (additional issue) of emissive securities is accompanied by registration of the issue prospectus thereof, each stage of the procedure for issuing securities shall be accompanied by disclosure of information.

**3.** Where the state registration of an issue (additional issue) of securities has not been accompanied by registration of the issue prospectus thereof, it may be registered afterwards. With this, registration of the securities issue prospectus shall be effected by the registering body within 30 days, as of the date of receiving the securities issue prospectus and other documents necessary

for registration thereof.

4. The specifics of the procedure for issuing bonds of the Bank of Russia shall be determined by the Government of the Russian Federation in compliance with laws of the Russian Federation.

5. The procedure for issuing state and municipal securities, as well as the terms for placement thereof, shall be regulated by federal laws or in the procedure established by federal laws.

*Federal Law No. 185-FZ of December 28, 2002 reworded Article 20 of this Federal Law*

*See the previous text of the Article*

**Article 20.** The State Registration of Issues (Additional Issues) of Emissive Securities

1. The state registration of issues (additional issues) of emissive securities shall be effected by the state executive body for the securities market or by other registering body determined by federal laws (hereinafter referred to as the registering body).

*On the State Registration of Issues of Emissive Securities by the Federal Securities Market Commission and Regional Branches Thereof, see Order of the Federal Securities Market Commission No. 03-606/r of April 1, 2003*

2. The state registration of an issue (additional issue) of emissive securities shall be effected on the basis of the issuer's application.

To an application for the state registration of an issue (additional issue) of emissive securities there shall be attached a decision on the issue (additional issue) of the securities, the documents confirming the issuer's compliance with the requirements of the laws of the Russian Federation that determine the procedure for, and terms of, rendering a decision on placement of the securities, endorsing the decision on the securities' issue and other requirements, whose observance is necessary for issuing the securities, and, if the registration of an issue (additional issue) of securities under this Federal Law has to be accompanied by registration of the issue prospectus thereof, the securities issue prospectus. The exhaustive list of such documents shall be determined by normative legal acts of the federal executive body for the securities market.

3. The registering body shall be obliged to effect the state registration of an issue (additional issue) of emissive securities or to render a reasoned decision on the refusal in the state registration of an issue (additional issue) of emissive securities within 30 days, as of the date of receiving the documents presented for the state registration thereof.

The registering body shall be entitled to verify the reliability of the data contained in the documents presented for the state registration of an issue (additional issue) of emissive securities. In this case, the running of the time period provided for by Paragraph One of this Item may be suspended for the time period of carrying out the verification but for 30 days at most.

4. When effecting the state registration of an emissive securities issue, an individual state registration number shall be assigned thereto.

When effecting the state registration of each additional issue of emissive securities, there shall be assigned thereto the individual state registration number which consists of the individual state registration number assigned to the issue of the emissive securities and the individual number (code) of this additional issue of the emissive securities.

Upon the expiry of three months, as of the moment of the state registration of the report on the results of an additional issue of emissive securities, the individual number (code) of the additional issue shall be cancelled.

The procedure for assigning state registration numbers of emissive securities' issues and for cancellation of individual numbers (codes) of additional issues of emissive securities shall be established by the federal executive body for the securities market.

5. The registering body shall be only held responsible for the completeness of the information contained in the documents submitted for the state registration of an issue (additional issue) of emissive securities.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 21 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 21.** The Grounds for the Refusal to Register the Issue of Securities

The reasons for the refusal to effect the state registration of an issue (additional issue) of emissive securities and registration a securities issue prospectus shall be as follows:

the violation by the issuer of the requirements of the legislation of the Russian Federation on securities, including the presence in the submitted documents of information that makes it possible to make a conclusion on the inconsistency of the terms of the issue and circulation of securities with the legislation of the Russian Federation and the disparity between the terms of the issue of securities and the legislation of the Russian Federation on securities;

incompliance of the documents submitted for the state registration of the issue (additional issue) of emissive securities or for registration a securities issue prospectus and the composition of data contained therein with the requirements of this Federal Law and normative legal acts of the federal executive body for the securities market;

non-submission within 30 days by request of the registering body of all the documents required for the state registration of the issue (additional issue) of emissive securities or for registration of the securities issue prospectus;

incompliance of the financial consultant, that has signed the securities issue prospectus, with the established requirements;

the introduction of false information or information inconsistent with the reality (unreliable information) in the issue prospectus or the decision on the issue of securities (other documents, which are the grounds for registration of the issue of securities).

A decision on the refusal to register the issue of securities and the issue prospectus may be appealed against with a court of law or a court of arbitration.

[Federal Law No. 185-FZ of December 28, 2002 reworded Article 22 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 22.** General Requirements to a Securities Issue Prospectus

**1.** A securities issue prospectus has to contain the following:

brief data on the persons included into the composition of the issuer's governing bodies, data on bank accounts, on the auditor, appraiser and the financial consultant of the issuer, as well as on other persons that have signed the prospectus;

brief data on the volume, time, procedure for, and terms of, placing emissive securities;

basic data on the issuer's financial and economic condition and on risk factors;

detailed information on the issuer;

data on the issuer's financial and business activity;

detailed data on the persons included into the composition of the issuer's governing bodies, of the issuer's bodies controlling the financial and business activities thereof, and the brief data on the issuer's workers (employees);

the data on the issuer's participants (shareholders) and on the transactions of interest made by the issuer;

the issuer's accounting reports and other financial information;

the detailed data of the procedure for, and on the terms of, emissive securities' placement;

additional data on the issuer and on the emissive securities placed by it.

The requirements to the information that has to be indicated in the title-page of a securities issue prospectus shall be established by the standards of the issue thereof and of the securities issue prospectus. A securities issue prospectus has likewise to contain the introduction where the basic information, given further on in the securities issue prospectus, shall be briefly stated.

**2.** To the brief data on the persons included into the composition of the issuer's governing body, to the data on bank accounts, on the auditor, appraiser and the financial consultant of the

issuer, as well as on other persons that have signed the prospectus, there shall pertain the following:

- an indication of the persons included into the composition of the issuer's governing bodies;

- the data on the issuer's bank accounts, data on the issuer's auditor (auditors) that has (have) drawn up an opinion in respect the annual accounting reports of the issuer for the last three complete financial years or for each complete financial year, if the issuer exercises its activity within less than three years;

- Data on the issuer's appraiser and consultants.

**3.** To the brief data on the volume, time, procedure for, and terms of, placement for each kind, category (type) of the emissive securities to be placed there shall pertain the following:

- the kind, category (type) and form of emissive securities to be placed;

- the nominal value of each kind, category (type), series of the emissive securities to be placed, where the presence of the nominal value thereof is provided for by laws of the Russian Federation;

- the supposed volume of the issue in cash and the number the emissive securities that are supposed to be placed;

- the price (the procedure for determining the price) of placing emissive securities;

- the procedure for, and terms of, placing emissive securities;

- the procedure for, and terms of, paying for emissive securities;

- the procedure for, and terms of, making contracts in the course of placing emissive securities;

- the circle of potential acquirers of emissive securities to be placed;

- the procedure for disclosing information on placement and on the results of placing emissive securities.

**4.** To the basic information on the financial and business state of the issuer there shall pertain information for the last five complete financial years or for each complete financial year, if the issuer exercises its activity within less than five years, as well as for the last complete report year, including the information on the following:

- on the indicators of the issuer's financial and business activities;

- on the issuer's market capitalization and liabilities thereof;

- on the purposes of issuing securities and on the directions of using the assets gained as a result of placing emissive securities;

- on the risks arising in connection with acquisition of emissive securities to be placed.

**5.** To the detailed information on the issuer there shall pertain the information on the following:

- on the history of the issuer's establishment and development;

- on the basic business activity of the issuer;

- on the plans of the issuer's future activity;

- on the issuer's participation in industrial, banking and financial groups, holdings, concerns and associations, as well as on the issuer's branch and dependent business companies;

- on the composition, structure and value of the issuer's basic assets, and likewise on the plans of acquisition, replacement and retirement of basic assets, as well as data on all facts of charging the issuer's basic assets.

**6.** To data on the issuer's financial and business activities there shall pertain the data on the issuer's financial position and the time history of its changing for the last five complete financial years or for each complete financial year, if the issuer exercises its activity within less than five years, as well as an indication of the reasons and factors that, according to the opinion of the issuer's governing bodies, have caused such changes, including data on the following:

- on the results of the issuer's financial and business activities, on the factors which have had an impact on the alteration of the amount of the proceeds from the issuer's sale of goods, products, works, services and of the issuer's profits (losses) derived from basic activities thereof, including the influence of inflation, alteration of foreign currency exchange rates, state bodies' decisions, of other economic, financial, political and other factors;

- on the issuer's liquidity, on the amount, structure and sufficiency of the issuer's capital and circulating assets;

- on the issuer's policy and expenditure in the area of scientific and technical development in

respect of licenses and patents, on new development and research works;  
the analysis of development tendencies in the issuer's basic activity.

**7.** To the detailed data on the persons included into the composition of the issuer's governing bodies, the issuer's bodies controlling the financial and business activities thereof and to the brief data on the issuer's employees (workers) there shall pertain the following:

the information on the persons included into the composition of the issuer's governing bodies, including those being members of the issuer's board of directors (supervisory board), members of the issuer's collective executive governing body, the information on the person exercising the functions of the issuer's individual executive body (including information on the management organization thereof), the information on the persons exercising the functions of the issuer's inspector and/or members of the issuer's inspection commission, as well as data on the nature of any related links between any of said persons;

the data on the amount of remuneration, on privileges and/or refunding of charges for each the issuer's governing body (safe for the natural person exercising the functions of the individual executive body thereof) and for each body controlling the financial and business activities thereof, that have been paid out by the issuer within the last complete financial year, as well as data on the present agreements regarding such payment in the current financial year;

the data on the structure and authority of the issuer's governing body and of the bodies controlling the financial and business activities thereof;

the data on the number and the summary data on the education and composition of the issuer's employees (workers), as well as on alteration of the number of the issuer's employees (workers), if such alteration is essential for the issuer;

the data on any commitments of the issuer in respect of employees (workers) thereof concerning the possibility of their participation in the issuer's authorized (pooled) capital (unit fund) (of acquiring the issuer's shares) including any agreements that stipulate the issue or provision of the issuer's options to employees (workers) thereof;

the amount of contribution of the persons indicated in Paragraph One of this Item in the authorized (pooled) capital (unit fund) of the issuer and of branch and dependent companies thereof, the shares of equities of the issuer and of branch and dependent companies thereof owned by said persons, as well as data on the options of the issuer and of branch and dependent companies thereof granted to such persons for the issuer's shares.

**8.** To the data on the issuer's participants (shareholders) and on the transactions of interest made by the issuer, there shall pertain the following:

the data on the total number of the issuer's participants (shareholders);

the data on the issuer's participants (shareholders) possessing at least 5 per cent of the authorized (pooled) capital (unit fund) thereof or at least 5 per cent of equities thereof, including the data on the amount of the share of the issuer's participant (shareholder) in the authorized (pooled) capital thereof, as well as of the share of the issuer's equities owned by him

for the issuer's participants (shareholders) possessing at least 5 per cent of the authorized (pooled) capital (unit fund) thereof or at least 5 per cent of equities thereof, the data on the participants (shareholders) thereof possessing at least 20 per cent of the authorized (pooled) capital (unit fund) or at least 20 per cent of equities thereof, and likewise with the indication of their share in the issuer's authorized (pooled) capital (unit fund), as well as of the share of the issuer's equities owned by them;

the data on the contribution of the state or of a municipal formation in the issuer's authorized (pooled) capital (unit fund), the presence of a special right ("the golden share");

the data on the restrictions to participation in the issuer's authorized (pooled) capital (unit fund);

the data on changes of the composition and of the contributions of the issuer's participants (shareholders) possessing at least 5 per cent of the authorized (pooled) capital (unit fund) thereof or at least 5 per cent of equities thereof, for the last five complete financial years or for each complete financial year, if the issuer exercises its activity within less than five years;

the data on the transactions of interest made by the issuer within last five complete financial

years or for each complete financial year, if the issuer exercises its activity within less than five years, as well as for the period prior to the date of endorsing the securities issue prospectus;

the data on the amount of accounts receivable for the last five complete financial years or for each complete financial year, if the issuer exercises its activity within less than five years, and likewise with the breaking down for the debtors whose debt's amount constitutes at least 10 per cent of the total amount of accounts receivable, as well as the data on accounts receivable with regard to affiliated persons.

**9.** The issuer's accounting reports and other financial information shall constitute the following:

the issuer's accounting reports for the last three complete financial years or for each complete financial year, if the issuer exercises its activity within less than three years, with an opinion of the auditor (auditors) in respect of said accounting reports attached thereto;

the issuer's quarterly accounting reports for the last complete report quarter;

the issuer's summary accounting reports for the last three complete financial years or for each complete financial year;

the data on the total amount of export, as well as on the share of export in the total sales volume;

the data on essential changes in the composition of the issuer's property, as of the date of termination of the last complete financial year;

the data on the issuer's participation in court trials, if such participation can have a serious impact on the issuer's financial and business activities.

**10.** To detailed data on the procedure for, and terms of, placing emissive securities there shall pertain the following data:

on emissive securities to be placed, on the price of placing (on the procedure for determining it), on the presence of preferred or other rights to acquisition of emissive securities to be placed, on any limitations to acquisition and circulation of emissive securities to be placed;

on the time history of alteration of prices of the issuer's securities, where such securities have been admitted to circulation by a trade promoter at the securities market, including a stock exchange;

on the persons rendering services related to the organization of placement and/or placement of emissive securities;

on the circle of potential acquirers of emissive securities;

on trade promoters at the securities market, including stock exchanges where it is planned to place or to put into circulation the emissive securities to be placed;

on a possible alteration of stockholders' contributions to the issuer's authorized capital as a result of placing emissive securities;

on the expenses connected with issuing securities;

on the ways of, and the procedure for, returning the assets gained as payment for the emissive securities to be placed in the event of declaring an issue (additional issue) as frustrated or invalid, as well as in other cases provided for by laws of the Russian Federation.

**11.** To additional data on the issuer and emissive securities to be placed there shall pertain the following:

the data on the amount and structure of the authorized (pooled) capital (unit fund) of the issuer and alteration thereof for the last five complete financial years or for each complete financial year, if the issuer exercises its activity within less than five years with the indication of the decisions of the issuer's authorized governing bodies who have served a basis for such alteration;

the data on each category (type) of the issuer's shares with the indication of the rights granted by the shares to owners thereof, of the nominal value of each share, of the number of shares in circulation, of the number of additional shares being placed, of the number of declared shares, of the number of shares included into the issuer's balance sheet, of the number of additional stocks which may be placed as a result of converting placed emissive securities convertible into shares or as a result of fulfilling commitments with regard to the issuer's options;

the data on the previous issues of the issuer's emissive securities, save for the issuer's shares;

the data on the structure of the issuer's governing bodies and on the authority thereof, as well

as on the structure of the issuer's bodies controlling its financial and business activities and on the authority thereof;

the data on the procedure for calling and holding a meeting (session) of the issuer's supreme governing body;

the data on essential transactions made by the issuer within the last five complete financial years or for each complete financial year, if the issuer exercises its activity within less than five years, in respect of which the amount of commitments constitutes at least 10 per cent of the balance sheet value of the issuer's assets according to its accounting reports for the last complete report period;

the data on the legislative acts regulating the issues related to capital import and export which can have an impact on paying out dividends, interest and on making other payments to non-residents;

the description of the procedure for taxing incomes derived from the issuer's emissive securities that are placed and being placed;

the data on declared (accrued) dividends on the issuer's shares, as well as on incomes derived from the issuer's bonds for the last five complete financial years or for the last complete financial year, if the issuer exercises its activity within less than five years, including the procedure for paying out dividends and other incomes;

the data on the persons that have provided security, if the issuer issues secured bonds, as well as on the terms of securing the fulfillment of commitments in respect of the issuer's bonds;

the data on the issuer's credit ratings, as well as on alteration thereof for the last five complete financial years or for each complete financial year, if the issuer exercises its activity within less than five years;

the data on the commercial organizations where the issuer owns at least 5 per cent of the authorized (pooled) capital (unit fund) or at least 5 per cent of equities;

the data on forming and using the reserve fund, as well as other issuer's funds for the last five complete financial years or for each complete financial year, if the issuer exercises its activity within less than five years;

the data on the organizations registering the rights to the issuer's emissive securities;

other data provided for by this Federal Law and other federal laws.

**12.** The composition of the data indicated in [Items from 2 to 11](#) of this Article shall be determined by the federal executive body for the securities market.

**13.** If not otherwise provided for by this Federal Law or other federal laws, the information contained in the securities issue prospectus shall be indicated, as on the date of its endorsement by the issuer's authorized governing body.

**14.** Where a securities issue prospectus is registered after the state registration of the emissive securities, the requirements of [Item 3](#) and [Item 10](#) (safe for Paragraph Seven) of this Article shall not apply.

[Federal Law No. 185-FZ of December 28, 2002 supplemented this Federal Law with Article 22.1:](#)

**Article 22.1.** Endorsing and Signing a Securities Issue Prospectus. Liability of the Persons that Have Signed a Securities Issue Prospectus

**1.** The securities issue prospectus of a business company shall be endorsed by the board of directors (supervisory board) or by the body exercising in compliance with federal laws the functions of the board of directors (supervisory board) of this business company. The securities issue prospectus of legal entities, that have other organizational and legal forms, shall be endorsed by the person exercising the functions of the issuer's executive body, if not otherwise established by federal laws.

**2.** The securities issue prospectus has to be signed by the person exercising the functions of the issuer's individual executive body, the chief accountant thereof (other person exercising his functions), confirming thereby the reliability and completeness of all information contained in the

securities issue prospectus. The securities issue prospectus has likewise to be signed by the auditor and in the instances, provided for by normative legal acts of the federal executive body for the securities market, by an independent appraiser who confirm the reliability of information in the part of the securities issue prospectus indicated by them. In the event of public placement and/or public circulation of emissive securities, the securities issue prospectus has to be signed by the financial consultant at the securities market which confirms thereby the reliability and completeness of the information contained in the securities issue prospectus, save for the part thereof which is confirmed by the auditor and/or appraiser. The issuer's affiliated person may not be the financial consultant at the securities market.

The financial consultant at the securities market shall be attracted, when privatizing shares, in the instances and in the procedure which are provided for by the laws of the Russian Federation on privatization.

In the event of issuing secured bonds, the person, that has provided security, shall be obliged to sign the securities issue prospectus, confirming thereby the reliability of the information on the security.

**3.** The persons that have signed the securities issue prospectus, when guilty, shall jointly bear with the issuer the secondary liability for the damage caused to an owner of the securities as a result of unreliability, incompleteness and/or misleading for an investor character of the information contained in said securities issue and confirmed by them. With this, the limitation period for reparation of damages for the reasons indicated in this Article, shall be three years, as of the starting date of the securities placement or, where the state registration of an issue (additional issue) of emissive securities has not been accompanied by registration of the securities issue prospectus, as of the starting date of the emissive securities' public circulation.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 23 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 23.** Information on an Issue (Additional Issue) of Emissive Securities to Be Disclosed by the Issuer

When registering a securities issue prospectus, the issuer shall be obliged to provide an access to the information, contained in the issue securities prospectus, to any persons concerned, regardless of the purpose of obtaining this information.

In the event of open subscription, the issuer shall be obliged to publish a report on the state registration of the issue (additional issue) of emissive securities and, in so doing, to indicate the procedure for the access of all persons concerned to the information, contained in the securities issue prospectus, in a printed matter with the circulation of at least 10 thousand copies. In the event of closed subscription accompanied by registration of the securities issue prospectus, the issuer thereof shall be obliged to publish a report on the state registration of the issue (additional issue) of emissive securities and, in so doing, to indicate the procedure for the access of potential owners of the emissive securities to the information contained in the securities issue prospectus in a printed matter having the circulation of at least one thousand copies.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 24 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 24.** The Conditions for the Placement of Issued Securities

The issuer shall be only entitled to place emissive securities after the state registration of the issue thereof, if not otherwise established by this Federal Law.

The quantity of placed securities shall not exceed the quantity, indicated in decision on the issue (additional issue) of emissive securities.

The issuer may place the lessor quantity of issued securities than those indicated in the issue prospectus. The actual quantity of the placed securities shall be indicated in the report on the results of the issue, submitted for registration. The share of non-placed securities from among the

number indicated in decision on the issue (additional issue) of emissive securities, according to which the issue is deemed to be not taken place shall be established by the federal executive body for the Securities Market.

If the issue has not taken place the monetary means of investors shall be returned in the procedure, determined by the federal executive body for the Securities Market.

*Regulations on the Procedure for the Refund to Owners of Securities of the Monies (Other Assets) Received by Issuer to Offset Payment for Securities the Issuance of Which Has Been Recognized as Non-Accomplished or Invalid were approved by Decision of the Federal Securities Market Commission No. 36 of September 8, 1998*

The issuer shall be obliged to complete placement of issued emissive securities at latest in one year, as of the date of the state registration of the issue (additional issue) of such securities.

There shall be forbidden to place by way of subscription emissive securities of the issue, whose state registration has been accompanied by registration of the securities issue prospectus, earlier than in two weeks after publishing a report on the state registration of the emissive securities issue in compliance with Article 23 of this Federal Law. Information on the price of placing emissive securities shall be disclosed on the starting date of the emissive securities' placement.

It shall be forbidden to give an advantage for the acquisition of securities to some potential owners as compared with other during the public placement or circulation of the issue of securities. The present Regulations shall not be applied in the following cases:

- 1) during the issue of government securities;

*On Servicing and Circulating Issues of Federal Governmental Securities, see Regulations of the Central Bank of Russia No. 219-P of March 25, 2003*

*On the procedure for concluding and performing REPO transactions in Russian Federation securities, see Regulations of the Central Bank of the Russian Federation No. 220-P of March 25, 2003*

- 2) when the shareholders of joint-stock companies are provided with the priority right to redeem the new issue of securities in the quantity in proportion to the number of shares belonging to them at the time of the adoption of a decision on the issue;

- 3) when the issuer introduces restriction on the acquisition of securities.

*Federal Law No. 185-FZ of December 28, 2002 amended Article 25 of this Federal Law  
See the previous text of the Article*

#### **Article 25.** The Report on the Results of the Issue (Additional Issue) of Securities

Within 30 days after the completed placement of issued securities the issuer shall be obliged to submit its report about the results of the issue (additional issue) of securities to the registration body.

The report on the results of the issue of securities shall contain the following information:

- 1) the date of the beginning and the end of placement of securities;
- 2) the actual price of placement of securities (according to the types of securities within the given issue);
- 3) the number of placed securities;
- 4) the total amount of received resources for placed securities, including:
  - a) the amount of currency in roubles paid for placed securities;
  - b) the amount of foreign currency paid for placed securities and expressed in the currency of the Russian Federation at the rate of the Central Bank of Russia in the time of contribution;
  - c) the amount of tangible and intangible assets, contributed as payment for the placement of

securities expressed in the currency of the Russian Federation.

The report on the results of the issue of securities shall indicate for shares in addition the list of the owners who possess a block of issued securities, the amount of which is determined by the Federal Commission for the Securities Market.

Simultaneously with a report on the results of the issue (additional issue) of emissive securities, there shall be submitted to the registering body an application for registration thereof and the documents proving the issuer's compliance with the requirements of the laws of the Russian Federation which determine the procedure for, and terms of, placing the securities, endorsing the report on the results of the issue of the securities and disclosing information, as well as with other requirements whose observance is necessary for placing the securities. The exhaustive list of such documents shall be determined by normative legal acts of the federal executive body for the securities market.

The registration body shall consider the report on the results of the issue (additional issue) of securities within two weeks and in the absence of breaches related to the issue of securities shall register it. The registration body shall be answerable for the fullness of the report it has registered.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 26 of this Federal Law](#)  
[See the previous text of the Article](#)

#### **Article 26. The Unscrupulous Issue**

The issue shall be recognized as unscrupulous, if the actions involved are expressed in the breach of the procedure of issue, established in this Section, and are the grounds for the refusal of the registration body to register the issue of [securities](#), for the recognition of the issue of securities as void, and for the stoppage of the issue of securities.

*See the [Regulations on the Procedure for Suspending the Emission and for Recognizing the Issue of Securities as Not Having Taken Place or as Invalid approved by \[Decision of the Federal Commission of Russia on the Securities Market No. 45 of December 31, 1997\]\(#\)](#)*

If the registration body finds out the signs of an unscrupulous issue, it shall be obliged to inform the Federal Commission for the Securities Market (the respective Regional branch of the Federal Commission for the Securities Market) during seven days.

The registration of the issue of securities may be rejected in the presence of the grounds, provided for by [Article 21](#) of this Federal Law.

The issue of securities may be held up or recognized as void, if the registration body finds out the following breaches:

the contravention by the issuer of the requirements of the legislation of the Russian Federation in the course of the issue;

the detection of unreliable information in the documents, on the basis of which the issue of securities has been registered.

In disclosing breaches of the established procedure the registration body may also suspend the issue until the removal of breaches within the period of the placement of securities. The issue shall be resumed by special decision of the registration body.

If the issue of securities is recognized as void, all the securities of the given issue shall be returned to the [issuer](#), while the money received by the issuer from the placement of securities, recognized as void, shall be returned to their owners. The federal executive body for the Securities Market shall have the right to make a recourse to a court of law for the return of money to their owners.

*See [Regulations on the Procedure for the Refund to Owners of Securities of the Monies \(Other Assets\) Received by Issuer to Offset Payment for Securities the Issuance of Which Has Been Recognized as Non-Accomplished or Invalid approved by \[Decision of the Federal Securities Market Commission No. 36 of September 8, 1998\]\(#\)](#)*

All the costs involved in the recognition of the issue of securities as void and in the return of money to their owners shall be charged to the issuer's account.

In case of a breach expressed in the issue of securities over and above the amount announced in the issue prospectus, the issuer shall be obliged to redeem and cancel the outstanding securities, issued over and above the quantity declared for issue.

If during two months the issuer does not redeem and cancel the securities issued over and above the quantity declared for issue, the federal executive body for the Securities Market shall have the right to apply to a court of law for the recovery of money, received groundlessly by the issuer.

The limitation period for recognizing as invalid an issue (additional issue) of emissive securities, the transactions made in the course of placing emissive securities and a report on the results of their issue shall be three months, as of the moment of registering the report on the results of issue (additional issue) of these securities.

#### **Article 27.** The Specific Features of the Issue of Shares by Credit Organizations

The monetary means shall be accumulated by credit organizations in the process of the issue of shares through the opening of an accumulation account by the issuing bank.

The conditions of the accumulation account shall be established by the Central Bank of Russia.

Federal Law No. 185-FZ of December 28, 2002 supplemented this Federal Law with Articles 27.1 - 27.5:

##### **Article 27.1.** Specifics of Issuing the Issuer's Options

The issuer shall not be entitled to place the issuer's options, if the number of the issuer's declared shares is less than the number of the shares, whose acquisition is entitled by such options.

The number of shares of a certain category (type) whose acquisition is entitled by the issuer's options, may not exceed 5 per cent of the shares of this category (type) placed, as on the date of submitting documents for the state registration of the issuer's options' issue.

A decision on the issue of options may provide for restrictions to the circulation thereof.

Placement of the issuer's options shall be only possible after the complete payment of the joint-stock company's authorized capital.

##### **Article 27.2.** Specifics of the Issue and Circulation of Secured Bonds

**1.** Bonds in respect of which the fulfillment of commitments is secured by a pledge (hereinafter referred to as bonds secured by a pledge), guarantee, banker's guarantee, the state or municipal guarantee shall be recognized as secured bonds.

The provisions of the Civil Code of the Russian Federation and other federal laws shall apply to the relations, connected with securing the fulfillment of commitments in respect of bonds secured by the pledge of property of the issuer or of a third person, subject to the specifics established by this Federal Law.

A secured bond shall grant to the owner thereof all the rights arising from such security. If the rights to a secured bond are transferred to a new owner (acquirer), he shall acquire all the rights arising from such security. The transfer of the rights arising from provided security without transferring the rights to the bond shall be invalid.

**2.** When issuing secured bonds, the conditions of the securing obligation have to be contained in the decision on the issue of the bonds and, if under this Federal Law the state registration of an issue of bonds has been accompanied by registration of the bonds prospectus, in the bonds issue, as well as in the bonds certificates in the event of issuing bonds in the documentary form.

**3.** Where security with regard to bonds is provided for by a third person, a decision on the bonds issue and/or the bonds prospectus, and the certificate thereof in the event of the

documentary form of their issue, have to be likewise signed by the person that has provided such security.

4. Where security with regard to bonds is provided to foreign persons, the norms of the Russian Federation law shall apply. All the disputes arising as a result of failure to discharge or of the improper discharge by the person, that has provided the security, of its duties shall be within the jurisdiction of the Russian Federation courts.

### **Article 27.3. Bonds Secured by a Pledge**

1. Solely securities and immovable property may be taken in pledge of bonds secured by a pledge.

The property which is taken in pledge of bonds secured by a pledge shall be subject to evaluation by the appraiser.

2. Each owner of a bond, secured by a pledge, of a given issue shall enjoy equal rights with all other owners of bonds of the same issue in respect of the property taken in pledge, as well as in respect of the insurance, the amount of insurance money due to the depositor in the event of confiscation (redemption) of property in pledge for the state or municipal needs, of requisition or nationalization thereof.

3. A pledge agreement, under which the fulfillment of commitments in respect of bonds is secured, shall be deemed made, as of the moment of the origin of their first owner's (acquirer's) rights to such bonds. With this, the written form of a pledge contract shall be deemed as observed. Where the fulfillment of commitments in respect of bonds is secured by an immovable property pledge (mortgage), the requirements in respect of the notarial form of the mortgage contract and of the state registration thereof shall be deemed as complied with on condition of the notarial attestation and the state registration by a justice institution of a decision on the issue of the bonds secured by a pledge.

4. The notarial attestation and the state registration by a justice institution of a decision on the issue of bonds secured by a mortgage, shall be effected after the state registration of such bonds' issue. The state registration of a mortgage shall be effected by a justice institution simultaneously with the state registration of the decision on the issue of bonds secured by a mortgage.

Placement of bonds, secured by a pledge, prior to the state registration of the mortgage shall be forbidden.

5. Where the fulfillment of commitments in respect of bonds is secured by an immovable property pledge (mortgage), for the state registration of the mortgage, instead of the mortgage contract and a copy thereof attested by a notary, as well as instead of the document confirming the origin of the commitment secured by the mortgage, there shall be submitted a decision on the issue of bonds secured by a mortgage and a copy of such decision attested and certified by a notary. When effecting the state registration of a mortgage, a registration entry on the mortgage to the uniform state register of rights to immovable property has to contain data on the initial pledgee, the state registration number of the bonds issue and the date of the state registration thereof, as well as an indication that owners of bonds of the issue, that bears said state registration number, shall be the depositors.

In the event of declaring an issue of bonds secured by a mortgage as frustrated, the registration entry on the mortgage shall be cancelled on the basis of the depositor's application with attached the document, confirming adoption by the registering body of the decision on recognizing the appropriate bonds' issue as frustrated.

6. If securities are not registered ones, they may be only provided as security for bonds on condition of registering the rights to them with a depository.

7. Where bonds are secured by a pledge of the securities, the rights to which are registered in the system of keeping the register (in the register) or with a depository, the depositor, after the state registration of an issue of such bonds and prior to the start of placement thereof, has to register the charging of appropriate securities by a pledge with the person, engaged in recording rights to these securities, and to present the proof of such registration to the body effecting the state registration of the appropriate issue of the bonds, when the state registration of the report on the results of the

issue is effected.

**8.** In the event of failure to fulfill, or of an improper fulfillment of, commitments with regard to bonds secured by a pledge, the property in pledge shall be subject to sale by a request in writing of any owner of such securities directed to the depositor, to the person indicated in the decision on the issue thereof as the person that will sell the property in pledge, as well as to the issuer of such securities, if the depositor is a third person.

Owners of bonds secured by a pledge shall be entitled to advance such claims within two months, as of the date of maturation thereof (of the expiry of the last day of the time period, if it is stipulated to fulfill the commitments within a certain period of time).

The sale of the property in pledge that secures the commitments in respect of bonds may not be effected prior to the expiry of the time period established for advancing claims by said bonds' owners.

The monetary assets, gained as a result of selling property in pledge, shall be directed to the persons owning bonds secured by a pledge who are entitled to enjoy the rights certified by said securities and who have put in their claims within the time period, established by this Article for directing claims to sell the property in pledge or on the expiry of this time period, but at latest on the last day of the time period, established by the decision on the issue of these securities, for selling the property in pledge. Where the amount of money gained as a result of selling property in pledge exceeds the amount of claims secured by the pledge, the difference, after deducting therefrom the amount of money which is necessary for covering the expenses connected with recovery against this property and sale thereof, shall be returnable to the depositor.

The amount gained from selling property in pledge and left after allowing in the established procedure the claims of owners of bonds secured by a pledge, which does not exceed the amount of claims in respect of the bonds secured by a pledge, shall be subject to paying in a notary's deposit. The owners that have not directed said written claims for the sale of property in pledge and have not gained funds from sale thereof shall be entitled to get them through the notary's deposit in the established procedure.

If for the reasons provided for by laws of the Russian Federation property in pledge has to be transferred under the ownership of persons owning bonds which are secured by a pledge, the property, that has been put in pledge of the bonds, shall be transferred under the ownership in common of all owners of the bonds secured by a pledge.

#### **Article 27.4.** Bonds Secured by a Guarantee

A contract of guarantee that secures the fulfillment of commitments in respect of bonds shall be deemed made, as of the moment of the origin of their first owner's rights to such bonds. With this, the written form of a contract of guarantee shall be deemed as observed.

A contract of guarantee that secures the fulfillment of commitments in respect of bonds may only provide for the joint responsibility of the guarantor and the issuer for failure to fulfill, or an improper fulfillment of, the commitments in respect of the bonds by the issuer thereof.

#### **Article 27.5.** Bonds Secured by a Bank Guarantee, by the State or Municipal Guarantee

The bank guarantee granted to secure the fulfillment of commitments in respect of bonds may not be withdrawn.

The time period of a bank guarantee has to exceed by at least six months the date (the finishing time) of the retirement of the bonds secured by such guarantee.

The terms of a bank guarantee have to stipulate that the rights of claim in respect of the guarantor shall be transferred to the person whom the rights to a bond are transferred to.

A bank guarantee that secures the fulfillment of commitments in respect of bonds has solely to provide for the joint responsibility of the guarantor and the issuer thereof for the issuer's failure to fulfill, or an improper fulfillment of, the commitments in respect of the bonds.

The state and municipal guarantee of bonds shall be granted in compliance with the budget laws of the Russian Federation and the laws of the Russian Federation on state (municipal) securities."

## Chapter 6. The Circulation of Issued Securities

Federal Law No. 185-FZ of December 28, 2002 supplemented Chapter 6 of this Federal Law with Article 27.6:

*The prohibition to put securities into public circulation prior to registration of the securities issue prospectus which is provided for this Article shall not extend to the securities circulated at the auction sales held by stock exchanges and/or other trade promoters at the securities market, as on the moment of this Federal Law's entry into force*

### **Article 27.6.** Restrictions to Circulation of Emissive Securities

Putting emissive securities into circulation prior to the full payment for them and the state registration of the report on the results of their issue shall be prohibited. With this, putting into public circulation of emissive securities, including securities of foreign issuers, prior to registration the securities issue prospectus, shall be prohibited.

### **Article 28.** The Form of the Certification of the Right of Ownership of Issued Securities

The rights of the owners to the issued securities of the documentary form of issue shall be certified by certificates (if certificates are held by the owners) or by certificates and records in the special custody accounts in depositories (if certificates have been put in custody in the depository).

The rights of the owners to the issued securities of the non-documentary form of issue shall be certified in the system of register keeping by records in the personal accounts of the registrar or in the event of accounting the rights to securities in the depository - by records in the specially custody accounts in depositories.

*On the registration of the participants in the Undocumentary Ordinary Bill Currency System see Decision of the Federal Commission for Securities and the Share Market No. 5 of March 21, 1996*

Federal Law No. 185-FZ of December 28, 2002 amended Article 29 of this Federal Law  
See the previous text of the Article

### **Article 29.** The Transfer of Rights to Securities and the Realization of Rights Fixed by Securities

*For the transfer of rights to securities, see also the Civil Code of the Russian Federation.*

The right to a bear documentary security shall pass to the acquirer in the following cases:  
if its certificate is found out at the owner - at the time of the transfer of this certificate to the acquirer;  
if the certificates of bearer documentary securities are kept in the depository and/or the rights to such securities are accounted in the depository - at the time of making a book record in the special custody account of the acquirer.

*See the Rules for the Reflection in Accounting of Particular Operations in Securities by Professional Participants on the Securities Market and by Investment Funds approved by Decision of the Federal Commission for the Securities Market No. 40 of November 27, 1997 and brought into force since January 1, 1998*

The right to a registered nondocumentary security shall pass to the acquirer:  
in the case of recording the rights to securities with a person conducting a depository activity - from the moment of making a credit entry in the depo account of the acquirer;

in the case of recording the rights to securities in the system of keeping a register - from the moment of making a credit entry in the personal account of the acquirer.

The rights, fixed by the issued security, shall pass to their acquirer since the time of the transfer of the rights to this security. The transfer of the rights, fixed by the registered issued security, shall be accompanied by the notice of the registrar or the depository, or the nominal holder of securities.

Under the bearer securities the rights shall be exercised upon their production by their owner or by his trustee.

If the certificates of issued documentary securities are kept in depositories, the rights fixed by securities shall be exercised on the basis of the certificates produced by these depositories on behalf of the owners under the depository agreements with the appended list of these owners.

In this case the issuer shall ensure the realization of the rights under the bearer securities of the person indicated in this list.

Under the registered non-documentary securities the rights shall be exercised by the issuer in respect of the person, referred to in the register keeping system.

If the data on the new owner of such security have not been communicated to the registrar of the given issue or to the nominal holder of the security by the time of closing the register for the execution of the issuer's obligations comprising the security (voting, receipt of income, etc.), the execution of the obligations in respect of the owner, registered in the register at the time of its closing, shall be recognized as proper. The responsibility for the timely notification lies with the acquirer of securities.

Where laws of the Russian Federation or other normative legal acts of the Russian Federation establish restrictions to the contribution of foreign persons in the capital of Russian issuers, parties to a transaction of acquiring by foreign owners of shares issued by such Russian issuers have to inform on such transactions the federal executive body for the securities market and other bodies in the instances provide for by federal laws.

The authenticity of the securities of natural persons in documents on the transfer of the rights to securities and the rights fixed by securities (except for the cases, provided for by the legislation of the Russian Federation) may be certified by a notary or by a professional securities market-maker.

## **Section IV. The Information Support of the Securities Market**

### **Chapter 7. On the Disclosure of Information about Securities**

*See [Regulations on the System for the Disclosure of Information on Securities Market approved by the Decision of the Federal Commission for Securities Market No. 2 of January 9, 1997](#), [Regulations on the Procedure and Scope of Information Disclosure Done by Public Joint-Stock Companies While Floating Shares and the Securities Convertible into Shares by Subscription approved by Decision of the Federal Securities Market Commission No. 9 of April 20, 1998](#) [Regulations of the Central Bank of Russia No. 43-P of July 2, 1998 for Disclosure of Information by the Central Bank of Russia and the Credit Organizations, Participants in Financial Markets](#)*

*[Federal Law No. 185-FZ of December 28, 2002 amended Article 30 of this Federal Law](#)  
[See the previous text of the Article](#)*

#### **Article 30. The Disclosure of Information**

The disclosure of information shall be understood to mean the making it accessible to all the interested persons, regardless of the purposes of receipt of such information under the procedure that guarantees its discovery and receipt.

Information, in respect of which actions have been carried out to disclose it, shall be recognized as disclosed information in the securities market.

Information that does not require privileges for access to it or subject to disclosure in keeping

with this Federal Law shall be recognized as generally accessible information in the securities market.

In the event of registering a securities issue prospectus, the issuer thereof shall be obliged to disclose information in the following form:

in the form of a quarterly report of the issuer of emissive securities (a quarterly report);

a report on the essential facts (events, actions) concerning the financial and business activities of the issuer of emissive securities (report on essential facts).

A quarterly report shall be drawn up according to the results of the completed quarter within 30 calendar days after it is ended. It shall be accepted by the issuer's authorized body and submitted to the Federal Commission for the Securities Market or the state body authorized by it, and also shall be presented to the owners of the issuer's securities at their request for the charge that does not exceed the overhead expenses on the manufacture of a booklet.

In the event of drawing up annual accounting reports, such accounting reports for the last complete financial year shall be included into the composition of a quarterly report for the second quarter.

The issuer's annual accounting reports, as well as the issuer's summary accounting reports for the two complete financial years preceding the last complete financial year, shall not be submitted within the composition of a quarterly report.

Accounting reports shall not be included into a quarterly report for the fourth quarter.

A quarterly report shall be submitted to the registering body at latest in 45 days, as of the finishing of date of a report quarter.

A quarterly report has to be signed by the person exercising the functions of the issuer's individual executive body, the chief accountant thereof (other person exercising his functions) confirming thereby the reliability of all the information contained therein. A quarterly report has to be submitted to owners of the issuer's emissive securities by request thereof at the price which does not exceed the expenses on the booklet's production. The persons signing a quarterly report shall be liable for the completeness and reliability of the data contained therein.

In the event of drawing up annual accounting reports, such accounting reports for the last complete financial year shall be included into the composition of a quarterly report for the second quarter.

The issuer's annual accounting reports, as well as the issuer's summary accounting reports for the two complete financial years preceding the last complete financial year, shall not be submitted within the composition of a quarterly report.

Accounting reports shall not be included into a quarterly report for the fourth quarter.

A quarterly report shall be submitted to the registering body at latest in 45 days, as of the finishing of date of a report quarter.

A quarterly report has to be signed by the person exercising the functions of the issuer's individual executive body, the chief accountant thereof (other person exercising his functions) confirming thereby the reliability of all the information contained therein. A quarterly report has to be submitted to owners of the issuer's emissive securities by request thereof at the price which does not exceed the expenses on the booklet's production. The persons signing a quarterly report shall be liable for the completeness and reliability of the data contained therein.

The following information shall be recognized as messages on the essential facts affecting the issuer's financial and economic activity:

information about the reorganization of the issuer, its subsidiary and dependent companies;

information about the facts that have involved the single increase or decrease in the value of the issuer's assets by more than 10 per cent, about the facts that have involve the single increase in the issuer's net profit or dead losses by more than 10 per cent, and about the facts of the issuer's single deals, the amount of which or the value of property of which comprises 10 per cent and more of the issuer's assets as of the date of the deal;

information about the issue of securities by the issuer and about the charged and/or paid incomes from the issuer's securities;

information about the appearance in the issuer's register of a person possessing more than 25 per cent of its issued securities of any particular type;

information about the dates of closing the register, about the time-limits of the execution of the issuer's obligations to the owners and about the decisions taken by the general meetings;

information about the decision on the issue of securities taken by the issuer's authorized body.

Message on the essential facts affecting the issuer's financial and economic activity shall be forwarded by the issuer to the federal executive body for the securities market or to the body authorized by it, and also shall be published by the issuer within five days since time of the occurrence of these events or the performance of actions on the press publications with a circulation accessible to the most owners of the issuer's securities.

*[Rules of Procedure for Disclosing Information About Significant Facts \(Events and Actions\) Which Affect the Financial and Economic Activities of Issuers of Securities was approved by Decision of the Federal Commission for the Securities Market No. 32 of August 12, 1998](#)*

The owner shall be obliged to disclose information about his possession of securities of any issuer, save for the bonds which are not convertible into shares, in the following cases:

when the owner has taken possession of 20 per cent or more of the issuer's securities of any type;

when the owner has increased his share of possession of the issuer's securities any type up to the level which amounts to a multiple of each five per cent and exceeds 20 per cent of this type of securities;

when the owner has reduced his share of possession of any type of the issued securities of the issuer, which amounts to a multiple of each five per cent and exceeds 20 per cent of this type of securities.

The owner shall disclose the said information (containing the name of the owner, the type and state registration number of securities, the name of the issuer and the quantity of securities belonging to him) not later than five days after the appropriate actions taken by way of notifying the federal executive body for the Securities Market or the body authorized by it.

The professional securities market-makers shall be obliged to disclose information about their operations with securities in the following cases:

when the professional securities market-maker has carried out operations with one type of securities of one issuer during one quarter, if the number of securities in these operations constituted not less than 100 per cent of the total number of the said securities;

when the professional securities market-maker has carried out a single operation with one type of securities of one issuer, if the number of securities in this operation constituted not less than 15 per cent of the total number of the said securities.

The professional securities market-makers shall disclose the said information (containing the name of the professional securities market-maker of, the type and state registration code of securities, the name of the issuer, the price of one security, the number of securities in relevant deals) not later than five days after the completion of the relevant quarter or after the relevant single operation by way of notifying the Federal Commission for the Securities Market or the body authorized by it.

When issued securities are offered and/or when the prices of the purchase and/or the sale of [issued securities](#) and announced, the professional securities market-maker shall be obliged to disclose the generally accessible information it possesses, which is disclosed by the issuer of these issued securities, or to communicate the fact that it has such information.

The composition, procedure for, and terms of, disclosing information, as well as submitting reports by professional securities market-makers shall be determined by normative legal acts of the federal executive body for the securities market.

*On specific issues concerning information disclosure on the securities market see [Decision of the Federal Securities Market Commission No. 10 of November 29, 1999](#)*

*For the submission of information by the stock exchanges and stock departments of the exchanges, see the [Letter](#) of the Ministry of the Russian Federation No. 5-1-06 of November 12, 1992.*

## **Chapter 8. On the Use of Official Information in the Securities Market**

### **Article 31. Official Information**

For purposes of the present Federal Law official information shall be represented by any generally in accessible information about the [issuer](#) and the securities issued by it, which places the persons possessing such information by virtue of their official status, labour duties or the agreement concluded with the issuer in a preemptive position as compared with other subjects of the securities market.

*[Federal Law No. 185-FZ of December 28, 2002 amended Article 32 of this Federal Law](#)  
[See the previous text of the Article](#)*

### **Article 32. About Persons Possessing Official Information**

The persons possessing official information include:

members of the management bodies of the issuer or the professional securities market-maker bound up with this issuer by the relevant agreement;

auditors of the issuer or the professional securities market-maker bound up with this issuer by the agreement;

employees of state bodies who have access to said information by virtue of their control, supervision and other powers.

The members of the management bodies of the issuer or the professional securities market-maker shall be understood to mean the persons who occupy permanently or temporarily in suit legal entities the post connected with the discharge of the organizational and regulatory or the administrative and economic duties, and also perform such duties according to a special power.

### **Article 33. Transactions Carried out with the Use of Official Information**

Persons possessing official information shall have no right to make use of this information for making deals, and also to transfer official information for making deals to third persons.

Persons who have breached the said requirement shall bear responsibility in accordance with the legislation of the Russian Federation.

## **Chapter 9. On Advertisement in the Security Market**

*For specific aspects of the advertisement of financial, insurance and investment services and securities, see the [Federal Law No. 108-FZ of July 18, 1995 on Advertisement](#)*

### **Article 34. Requirements for Advertisement**

The advertisement shall contain the name of the advertiser. The advertiser who is a professional securities market-maker shall be obliged to include in advertisement information about the activity carried out by it in the stock market in keeping with the advertisement.

The advertisers shall be forbidden:

*According to [Federal Law No. 46-FZ of March 5, 1999](#) it shall be prohibited to advertise and/or offer to an unlimited number of parties securities of emitters failing to disclose information in amount and according to the procedure specified in the [legislation](#) of the Russian Federation on securities for emitters distributing securities to the public*

to indicate in advertisement unreliable information about its activity and the types and characteristics of securities offered for purchase or sale, or other deals with them and about the terms of these deals, and other information used to deceive or mislead the owners and other securities market-makers;

to indicate in advertisement the supposed amount of incomes from securities and forecasts of the growth of their market value;

to make use of advertisement for the purpose of unfair competition by pinpointing the actual or alleged shortcomings of the professional securities market-makers, engaged in similar activity or of the issuers of similar securities.

In the presence in advertisement of one of the circumstances, referred to in the second part of this Article the advertising of securities shall be recognized as unfair.

The advertisement shall also be recognized as unfair, if it guarantees in public or brings in any other way to the notice of potential owners the data about the return of a securities, its security as compared with other securities or other financial instruments, and also the supply of obviously false or unreliable information capable of misleading or misleading in fact potential owners with regard to the acquired securities.

The advertiser shall be responsible for the damage inflicted by unfair advertisement in keeping with the legislation of the Russian Federation.

*For the responsibility for breaking the legislation of the Russian Federation on advertisement, see the [Federal Law No. 108-FZ of July 18, 1995 on Advertisement](#).*

If the advertisement is recognized as unfair, the agreements of the advertiser with the advertisement distributor shall be null and void.

#### **Article 35.** About Information Which Is Not an Advertisement on the Security Market

Generally available information about securities and issuers, indicated in [Article 30](#) of this Federal Law, and also information submitted to the authorized bodies in connection with the discharge of their functions in regulating the securities market in accordance with the legislation of the Russian Federation shall not be an advertisement on the stock market.

Information about the issue of securities by their issuer and about charged and/or paid dividends shall be an advertisement.

#### **Article 36.** The Ban on the Advertising of Non-registered Issues of Securities

The advertising of issued [securities](#) shall be banned before the date of registration of their issues in accordance with the legislation of the Russian Federation. Agreements on the advertising of non-registered issues of securities shall be invalid. The bodies registering the issues of securities shall have the right to maintain an action over the consequences that have arisen due to the void agreements.

#### **Article 37.** The Ground for the Termination of the Agreements on the Advertising of Issued Securities

The recognition of the issue of securities as the one not have taken place shall be a ground for the termination of the respective agreement on the advertising of these securities. The agreement on the advertising of issued securities whose issue has been recognized as void shall be terminated since the time of notifying the advertisement distributor by the registration body, which has recognized the issue of securities as have not taken place. The advertisement distributor shall have the right to demand that the advertiser should compensate for the losses caused as a result of the cessation of the agreement on advertisement.

### **Section V. The Regulation of the Securities Market**

## Chapter 10. The Principles of the Regulation of the Securities Market

[Federal Law No. 185-FZ of December 28, 2002 amended Article 38 of this Federal Law](#)  
[See the previous text of the Article](#)

### Article 38. The Principles of the Regulation of the Securities Market

The securities market shall be regulated by the State by means of:

the establishment of compulsory requirements for the activity of issuers and professional securities market-makers and its standards;

the registration of issues of [securities](#) and issue prospectuses and the exercise of control over the observance by the issuers of the conditions and obligations, envisaged by them;

the licensing of the activity of the professional securities market-makers;

the creation of a system of protecting the rights of owners and of controlling their observance by the issuers and the professional securities market-makers;

the prohibition and thwarting of the activity of the persons engaged in business on the securities market without the relevant license.

The representative organs of state power and the local self-government bodies shall establish the maximum volumes of the issue of securities by the organs of power of the corresponding level.

## Chapter 11. The Regulation of the Activity of the Professional Securities Market-Makers

*See the [Procedure](#) for assessing a securities management financial organisation's dominating position endorsed, by [Order](#) of the Ministry of the Russian Federation for Anti-Monopoly Policy and Promotion of Entrepreneurship No. 466 of June 21, 2000*

*The services, provided by financial organisations on the [securities market](#), are included in the [List](#) of kinds of financial service subject to anti-monopoly regulation, endorsed by [Order](#) of Ministry of the Russian Federation for Anti-Monopoly Policy and Promotion of Entrepreneurship No. 467 of June 21, 2000*

[Federal Law No. 185-FZ of December 28, 2002 amended Article 39 of this Federal Law](#)  
[See the previous text of the Article](#)

### Article 39. The Licensing of the Activity of Professional Securities Market-makers

The professional activity of all types on the securities market, referred to in [Chapter 2](#) of this Federal Law, shall be performed on the basis of a special permit - the licence issued by the federal executive body for the Securities Market or by the bodies authorized by it on the strength of a general license.

Credit organizations shall carry on the professional activity on the securities market in the order, prescribed by this Federal Law for the professional securities market-makers.

An additional reason for the refusal to issue to a credit organization the license for the exercise of its professional activity at the securities market, for suspension or withdrawal thereof shall be cancellation or withdrawal of the license for the exercise of banking operations issued by the Bank of Russia.

The bodies which have issued licenses shall control the activity of the professional securities market-makers and take a decision on the recall of the issued license in case of violation of the legislation of the Russian Federation on securities.

The activity of the professional securities market-makers shall be licensed by licenses of three

types: the license of the professional stock market-makers, the license for register keeping and the stock exchange license.

The condition for rendering by a broker and/or a dealer services related to the preparation of a securities issue prospectus shall be the compliance with the requirements in respect of the amount of the own capital thereof and with the qualification requirements in respect of employees (workers) thereof established by normative legal acts of the federal executive body for the securities market.

*See the [Procedure](#) for Licensing Some Types of Professional Activity on the Securities Market of the Russian Federation (including the activity of the stock market), approved by [Decision](#) of the Federal Commission for the Securities Market of Russia No. 10 of August 2000*

*On licensing the professional activities of loan organizations on the securities market of the Russian Federation see [Regulations](#) and [Directions](#) approved by the [Order](#) of the Central Bank of the Russian Federation No. 02-462 of October 23, 1997*

*[Federal Law](#) No. 185-FZ of December 28, 2002 amended the title of Chapter 12 of this Federal Law*

*[See the previous text of the title](#)*

## **Chapter 12. The Federal Executive Body for the Securities Market**

*[Federal Law](#) No. 185-FZ of December 28, 2002 amended Article 40 of this Federal Law*

*[See the previous text of the Article](#)*

### **Article 40.** The Organization of the Federal Executive Body for the Securities Market

The Federal Executive Body for the Securities Market (hereinafter referred to as the federal executive body) is a federal executive body which pursues the state policy in the sphere of the stock market, exercises control over the activity of the professional securities market-makers through the definition of the order of their activity, and determines the standards of the issue of securities.

The head of the Federal Commission is an ex officio federal minister.

The posts of five members of the federal executive body (the first Vice-Chairman and the Vice-Chairman of the Federal Commission and its Secretary) shall be the state offices of the civil service and replaced in the statutory order.

The basic functions and powers of the federal executive body shall be determined by this Federal Law.

The federal executive body shall set up its territorial agencies for the exercise of its powers.

The powers of the Federal Commission shall not extend to the procedure of the issue of debt instruments of the Government of the Russian Federation and of securities of the subjects of the Russian Federation.

*See also [Decision](#) of the Government of the Russian Federation No. 119 of February 4, 1997 "The Issues of the Federal Commission for Securities Market"*

*[Federal Law](#) No. 185-FZ of December 28, 2002 amended Article 41 of this Federal Law*

*[See the previous text of the Article](#)*

### **Article 41.** The Board of the federal executive body

*About the Board of the Federal Commission see also [Regulations](#) on the Federal Commission on the Securities Market approved by the [Decree](#) of the President of the Russian Federation No.*

*1009 of July 1, 1996*

The Board of the federal executive body shall consist of 15 members, including the Chairman of the federal executive body, the First Vice-Chairman and the Vice-Chairman of the federal executive body and the Secretary of the federal executive body.

Five members of the Federal Commission Board shall be the representatives of the federal executive bodies, whose jurisdiction covers the questions bearing on the securities market. Their membership shall include without fail the representative of the Ministry of Finance of the Russian Federation.

One member of the Federal Commission Board shall represent the Central Bank of the Russian Federation.

The Chairman of the Expert Council of the federal executive body for the Securities Market is an ex officio member of the federal executive body Board.

Two members of the Federal Commission Board shall represent the Chambers of the Federal Assembly of the Russian Federation.

The Federal Commission shall set up an advisory and consultative body - the Expert Council of the federal executive body for the Securities Market consisting of 25 members: the representatives of the state organs and organizations whose activity is associated with the regulation of the financial market and the securities market, of the professional stock market-makers, the self-regulated organizations of the professional stock market-makers, their unions, associations and other voluntary associations, and independent experts.

The Expert Council member shall be appointed to this post for a term of two years with a possible appointment for any times.

The work of the representatives of the state organs and other organizations, referred to in this Article, in the Federal Commission Board and the Expert Council of this Commission shall be carried out on a gratuitous basis.

The Federal Commission Board shall independently approve the regulations of the work of the Expert Council of the Federal Commission for the Securities Market.

*[Federal Law No. 185-FZ of December 28, 2002 amended Article 42 of this Federal Law](#)  
[See the previous text of the Article](#)*

**Article 42.** The Functions of the federal executive body

The federal executive body shall:

- 1) elaborate the basic directions of the development of the securities market and coordinate the activity of the federal executive bodies in the regulation of the stock market;
- 2) approve the standards of the issue of securities, the issue prospectuses of the issuers, including foreign issuers of securities in the territory of the Russian Federation, and the procedure for the state registration of the issue (additional issue) of emissive securities, the state registration of reports on the results of the issue (additional issue) of emissive securities and registration of a securities issue prospectuses;

*The [Standards](#) for an Emission of Shares, Placed at the Institution of Joint-Stock Companies, and of Their Emission Prospectuses were approved by [Decision](#) of the federal executive body for Security Market No. 25/ps of July 3, 2002*

*The [Standards](#) for the Issue of Additional Stocks, Stocks Placed by Way of Converting Bonds Convertible into Additional Stocks, and for the Issue Prospectuses Thereof were endorsed by [Decision](#) of the Federal Securities Market Commission No. 16/ps of April 30, 2002*

*The [Standards](#) for the Emission of Bonds and for Their Emission Prospectuses were approved by [Decision](#) of the Federal Commission for Security Market No. 27 of October 19, 2001*

The [Standards](#) for the Issuance of Option Certificates and Prospectuses of the Issue Thereof were approved by [Decision](#) of the Federal Commission for Securities Market No. 1 of January 9, 1997

The [Standards](#) of the Issue of Shares and Bonds and Their Issue Prospectuses in Case of the Reorganization of Profit-making Organizations were approved by [Decision](#) of the Federal Commission for the Securities Market No. 8 of February 12, 1997

See [Standards for the Issue](#) of Shares When Setting up Joint-Stock Companies, of Additional Shares and of Bonds, and of Their Issue Prospectuses approved by the [Decision](#) of the Federal Commission on the Securities Market No. 19 of September 17, 1996

3) elaborate and endorse uniform requirements for the rules of the professional operations with securities;

See the [Regulations](#) on the Clearing Activity on the Securities Market of the Russian Federation approved by [Decision](#) of the Federal Commission for Security Market No. 32/ps of August 14, 2002

See [Regulations](#) on the System of Control of Trading Promoters at the Securities Market and Additional Requirements to Securities Traders and Issuers, approved by [Decision](#) of the Federal Securities Commission No. 28 of October 26, 2001

See the [Regulations](#) on the Internal Control of Professional Participants in the Securities Market approved by [Decision](#) of the Federal Securities Market Commission No. 16 of July 19, 2001

See the [Regulations](#) on Standards Governing Transactions Relating to the Accomplishment of Time Deals in the Securities Market, approved by [Decision](#) of the Federal Securities Market Commission No. 9 of April 27, 2001

See the [Rules](#) for the Performance of the Broker's Activity on the Securities Market with the Use of the Clients' Monetary Funds approved by [Decision](#) of the Federal Commission on the Securities Market No. 18 of September 22, 2000

See the [Regulations](#) on the Requirements to Organizers of Trading in the Securities Market approved [Decision](#) of the Federal Commission for the Securities Market No. 49 of November 16, 1998

See [Temporary Regulations](#) on the Internal Control of a Professional Participant in Securities Market approved by [Decision](#) of the Federal Securities Market Commission No. 23 of June 15, 1998 on Approval of the

See the [Provisional Regulations](#) on the Demands, Made on the Activity of the Currency and the Commodity Exchanges, Involved in Organizing Trade on the Securities Market approved by [Decision](#) of the Federal Commission on the Securities Market No. 12 of March 14, 1997

4) establish compulsory requirements for the operations with securities, the norms of admission of securities to their public placement, circulation, quotation and listing, and also the accounting and depository activity. The rules of record keeping and accounting by issuers and professional stock market-makers shall be established by the federal executive body together with the Ministry of Finance of the Russian Federation;

Decision of the Federal Commission for the Securities Market No. 40 of November 27, 1997 approved and brought into force since January 1, 1998 the Rules for the Reflection in Accounting of Particular Operations in Securities by Professional Participants on the Securities Market and by Investment Funds

Order of the Federal Securities Market Commission No. 1087-r of October 5, 1998 established procedure for computing the market price of issue securities admitted for trading on the stock market or through a trading organizer on the securities market and for setting market price variation ceiling

On submission of reports by the securities market makers see:

Regulations on Reports of the Professional Participants of the Securities Market, approved by Decision of the Federal Commission on the Securities Market and Ministry of Finance of the Russian Federation Nos. 33, 109n of December 11, 2001,

Procedure for internal accounting of deals, including forward ones, and of operations with securities by professional participants of securities market engaged in broker's and dealer's activities, as well as in securities management endorsed by Decision of the Federal Commission for Securities and the Ministry of Finance of the Russian Federation Nos. 32, 108n of December 11, 2001

Regulations approved by Decision of the Federal Commission for the Securities Market No. 43 of November 4, 1998,

Provisional Regulations approved by Decision of the Federal Commission for the Securities Market No. 45 of November 6, 1998

See the Demands, Made on the Format of Electronic Documents, Submitted to the Federal Commission for Security Market, approved by Decision of the Federal Commission for Security Market No. 03-1/ps of January 30, 2003

See also Provisional Requirements to the Magnetic Media and the Format of the Texts of Documents Submitted by the Issuers of Emission Securities endorsed by Order of the Federal Commission for the Securities Market No. 03-1729/r of August 15, 2003

5) Introduce compulsory requirements for the order of register keeping;

On the Procedure for the Reflection in the Accounting System of the Unification of the Additional Emission Securities Issues and of the Cancellation of the Individual Numbers (Codes) of the Additional Emission Securities Issues, see Decision of the Federal Commission for Securities Market No. 03-28/ps of May 22, 2003

See the Regulation for Keeping the Register of Owners of Registered Securities approved by Decision of the Federal Commission on the Securities Market No. 27 of October 2, 1997

On the procedure for the transfer of the information and documents comprising the system of the keeping of the register of the holders of registered securities see the Regulations approved by Decision of the Federal Commission for the Securities Market No. 21 of June 24, 1997

6) establish the order and license different kinds of the professional activity on the securities market, and also suspend or annul said licenses in case of breaking the legislation of the Russian Federation on securities;

See the Procedure for Licensing Some Types of Professional Activity on the Securities Market of the Russian Federation, approved by Decision of the Federal Commission for the Securities

*Market of Russia No. 10 of August 2000*

See [Regulations](#) for Licensing the Activity for Keeping a Register of Holders of Registered Securities approved by [Decision](#) of the Federal Commission for the Securities Market No. 24 of June 19, 1998

7) issue general licenses for the licensing the activity of the professional stock market-makers, and also suspend or annul said licenses. The annulment of the general license issued to an authorized body shall not entail the cancellation of licenses issued to the professional stock market-makers;

See [Regulations](#) on the General Licences for the Conduct of the Licensing of the Professional Activity at the Securities Market approved by [Decision](#) of the Federal Commission for Securities Market of the Russian Federation No. 16 of September 9, 1996

8) establish the order, license the self-regulated organizations of the professional stock-market-makers and keep the register of them and annul said licenses in case of violating the requirements of the legislation of the Russian Federation on securities, and also the standards and requirements, endorsed by the federal executive body;

The [Regulations](#) on the Self-Regulated Organizations of the Securities Market-Makers and of the [Regulations](#) on Licensing the Self-Regulated Organizations of the Securities Market-Makers were approved by [Decision](#) of the Federal Commission on the Securities Market No. 24 of July 1, 1997

9) determine the standards of activity of investment, non-governmental pension and insurance funds and their managing companies, and also insurance companies on the securities market;

10) exercise control over the observance by the issuers, the professional stock market-makers, the self-regulated organizations of the professional stock market-makers of the legislation of the Russian Federation on securities, the standards and requirements endorsed by the federal executive body;

According to [Federal Law](#) No. 46-FZ of March 5, 1999 supervision over the amount of payment charged for the information by Professional Participants or emitters shall be vested in the Federal Commission for Securities of the Russian Federation

On informing the Federal Commission on the Securities Market of Russia about electronic systems used by professional participants in the securities market, engaged in the broker activity, for the delivery of clients' orders on making deals in securities see [Decision](#) of the Federal Commission on the Securities Market No. 1 of February 8, 2001

[Federal Law](#) No. 121-FZ of August 7, 2001 supplemented Article 42 with item 11. Items 11 - 21 shall be deemed Items 12 - 22 respectively

11) for the purposes of countering the legalisation (laundering) of earnings received in an illegal way, it shall control the procedure for professional participants in the securities market accomplishing transactions in amounts of money or other property;

12) ensure the disclosure of information about the registered issues of securities, the professional stock-market-makers;

13) ensure the creation of a generally accessible system of disclosing information in the securities market;

14) endorse the qualifying requirements to the heads and employees (workers) of professional

participants of the securities market, carry out certification thereof (verification of the compliance of the heads' and workers' qualifications to the qualifying requirements made) in the form of a qualification examination and the issue of a qualification certificate, the list of the documents to be submitted together with an application for admittance to the certification, the number and types of certificates, qualification examinations' programmes and the procedure for taking them;

*See the [Regulations](#) on the System of Qualification Standards Applicable to the Officers, Controllers and Specialists of the Organisations Pursuing Professional Activities in the Securities Market, to the Officers and Specialists of the Organisations Pursuing the Activity of Managing Investment Companies, Investment Trusts and Non-State Investment Pension Funds as Well as to the Officers and Specialists of the Organisations Pursuing the Activity of a Specialised Custodian of Investment Companies, Investment Trusts and Non-State Pension Funds, endorsed by [Decision](#) of the Federal Securities Market Commission No. 27/ps of July 5, 2002*

15) draft legislative and other normative acts relating to the regulation of the securities market, the licensing of the activity of its professional market-makers, the self-regulated organizations of the professional stock-market-makers, to the control over the observance of the legislative and other normative acts on securities and carry on their expert examination;

16) develop recommendations with regard to the enforcement of the Russian Federation laws which regulate the relations connected with functioning of the securities market;

17) exercise the guidance of the regional branches of the Federal Commission;

*See the [Procedure](#) for Distribution of Powers with Regard to the State Registration of Emissive Securities' Issues on the Territory of the Russian Federation between the Federal Securities Market Commission of Russia and Regional Branches Thereof, endorsed by [Decision](#) of the Federal Securities Market Commission No. 03-606/r of April 1, 2003*

*On the approval of the [List](#) of the Constituent Entities of the Russian Federation on the Territory of Which Operate Regional Branches of the Federal Commission for the Securities Market and on the interaction of the Federal Commission for the Securities Market with the Plenipotentiary Representatives of the President of the Russian Federation in Federal Districts see [Order](#) of the Federal Commission for the Securities Market No. 804-r of September 21, 2000*

18) keep the register of issued, suspended and annulled licenses;

19) establish the define the [order](#) of access of the securities, issued by, the issuers, registered in the Russian Federation, to their primary placement and circulation outside the territory of the Russian Federation;

20) apply to a court of arbitration with the claim for the liquidation of the legal entity that has violated the legislation of the Russian Federation on securities and for the application to the violators of the sanctions, established by the legislation of the Russian Federation;

21) exercise supervision over the compliance of the amount of the issue of [securities](#) with their number in circulation;

[Federal Law No. 185-FZ of December 28, 2002 amended Article 43 of this Federal Law](#)  
[See the previous text of the Article](#)

#### **Article 43.** Decisions of the federal executive body

The federal executive body shall take decisions on the regulation of the securities market, the activity of the professional stock market-makers, of the self-regulated organizations of the professional stock market-makers, and on the control over the observance of the legislation of the Russian Federation and other normative acts on securities.

The Federal Commission shall adopt its decisions in the form of resolutions.

The resolutions, adopted by the federal executive body, shall be signed by its Chairman and in

his absence - by his First Vice-Chairman.

The minutes of the Federal Commission shall be signed by the Chairman and the Secretary of the federal executive body.

The members of the federal executive body shall have the right to enter their opinions on individual questions in the minutes, and also shall have the right to append to the minutes their dissenting opinions and particular materials in writing.

The documents in which the federal executive body specially highlight a credit organization shall be prepared and adopted by agreement with the Central Bank of the Russian Federation.

Operations with foreign currency funded papers shall be regulated by the federal executive body by agreement with the Central Bank of the Russian Federation.

The resolutions of the federal executive body on the questions coming under its jurisdiction shall be binding for the execution by the federal ministries and other federal executive bodies, the executive bodies of the subjects of the Russian Federation and the local self-government bodies, and also by the professional stock market-makers and the self-regulated organizations.

It shall be impermissible for the Federal Commission to adopt resolutions without the preliminary consideration of them by the Expert Council of the federal executive body for the Securities Market.

The resolutions of the Federal Commission shall be subject to compulsory publication.

*[Federal Law No. 182-FZ of November 26, 1998 supplemented Article 43 of this Federal Law with parts 11 and 12](#)*

The Decisions of the federal executive body having regulatory nature shall be subject to state registration in the cases and in accordance with the procedure provided for the regulatory legal acts of the federal bodies of executive power.

The decisions of the federal executive body having regulatory nature shall come into force upon the expiration of ten days from the date of the [official publication](#) thereof unless another date is provided therein for their coming into force.

The federal executive body resolution may be appealed against by natural and juridical persons with a court of law or a court of arbitration.

Normative acts on the regulation of the securities market, the activity of the professional stock market-makers and the self-regulated organizations of the stock market-makers shall be adopted by the federal ministries and other federal executive bodies within their terms of reference only by agreement with the federal executive body.

*[Federal Law No. 185-FZ of December 28, 2002 amended Article 44 of this Federal Law](#)  
[See the previous text of the Article](#)*

#### **Article 44.** The Rights of the federal executive body

The federal executive body shall have the right:

1) to issue general licenses for licensing the professional stock market-makers, and also for the exercise of control in the securities market, to the federal executive bodies (with the right of delegating the licensing functions to their territorial agencies);

*See [Regulations on the General Licences for the Conduct of the Licensing of the Professional Activity at the Securities Market approved by \[Decision of the federal executive body for Securities Market of the Russian Federation No. 16 of September 9, 1996\]\(#\)](#)*

2) to qualify securities and determine their types in keeping with the legislation of the Russian Federation;

3) to establish [normative standards](#) of sufficiency of own monetary assets obligatory for professional securities market-makers, safe for credit organizations, and other requirements aimed at reducing the risks of professional activities at the securities market, and at preventing conflicts of

interests, likewise when a broker being a financial consultant renders services related to placement of emissive securities;

*[Federal Law No. 121-FZ of August 7, 2001 reworded Item 4 of Article 44 of this Federal Law. The amendments shall come into force from February 1, 2002](#)*  
*[See the previous text of the item](#)*

4) if professional participants in the securities market repeatedly violate during one year the securities legislation of the Russian Federation it shall make a decision to suspend or annul their licenses for the pursuance of professional activity in the securities market. Immediately after the Federal Commission's decision to suspend the licenses becomes final the licensor shall take measures for eliminating the irregularities or annulling the license;

if professional participants in the securities market repeatedly violate during one year the provisions of [Articles 6](#) and [7](#) (except for [Item 3 Article 7](#)) of the Federal Law on Countering the Legalisation of Earnings Received in an Illegal Way (Money Laundering), it shall make a decision to annul the license for the pursuance of professional activities in the securities market;

*On the Action Procedure Used in the Case of Suspension of a License for the Pursuance of the Activity of Keeping a Register of Owners of Registered Securities, see [Letter](#) of the Federal Securities Market Commission No. IK-07/3905 of August 4, 2000*

5) on the grounds, stipulated by the legislation of the Russian Federation, to refuse to issue a license to the self-regulated organization of the professional stock market-makers and to annul the license issued to it with the obligatory publication of the report about this in mass media;

6) to establish the procedure for holding inspections of issuers, professional securities market-makers and self-regulated organizations of professional securities market-makers, as well as of other organizations licensed by it, to inspect independently or jointly with appropriate federal executive bodies the activities of issuers, of professional securities market-makers and self-regulated organizations of professional securities market-makers, as well as of other organizations licensed by it, to appoint and recall inspectors controlling the activities of said organizations;

*See [Regulation](#) on the Procedure for Conducting Inspections of Legal Entities Whose Activities on the Securities Market Is Regulated by the federal executive body on the Securities Market approved by [Decision](#) of the federal executive body on the Securities Market No. 19 of May 29, 1998*

7) to send orders binding for execution to the issuers and the professional stock market-makers, and also to their self-regulated organizations, and also to demand that they submit documents needed for the settlement of the questions coming under the jurisdiction of the federal executive body;

*[Decision](#) of the Federal Commission for the Securities Market No. 10 of August 15, 2000 laid down that the professional market-makers shall immediately inform the Federal Commission for Securities of Russia in writing about possible changes in the postal and actual addresses, numbers of telephones, faxes and addresses of electronic mail*

8) to send materials to the law-protective bodies and to lodge claims in courts of law (courts of arbitrations) on the questions relating to the jurisdiction of the federal executive body (including the invalidation of deals with securities);

9) to take decisions on the creation or liquidation of regional branches of the federal executive body;

10) to withdraw qualification certificates of natural persons in the event of repeated or gross

violations by them of the laws of the Russian Federation on securities;

11) to introduce norms binding on the issuers of securities and rules for their application;

[Federal Law No. 185-FZ of December 28, 2002 supplemented this Federal Law with Article 44.1:](#)

**Article 44.1.** Duties of the Federal Executive Body for the Securities Market

While exercising the authority granted by this Federal Law, the federal executive body for the securities market shall be obliged:

1) to ensure the confidentiality of information provided to it, safe for the information disclosed in compliance with the laws of the Russian Federation on securities;

2) when directing to issuers, professional securities market-makers and self-regulated organizations of professional securities marketmakers requests for presentation of information, to substantiate soundly the necessity of getting the information requested for;

3) to register the documents of professional securities marketmakers and self-regulated organizations of professional securities market-makers subject to registration in compliance with this Federal Law, at latest in 30 days, as of the date of receiving appropriate documents, or to give a reasoned refusal to register them within the established term, if other term for registration thereof is not established by this Federal Law;

4) to give within 30 days reasoned answers to requests of legal entities and citizens in respect of the issues within the scope of jurisdiction of the federal executive body for the securities market.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 45 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 45.** The Expert Council of the federal executive body for the Securities Market

The professional stock market-makers shall elect their candidates to the Expert Council of the federal executive body for the Securities Market at an all-Russia conference of the professional stock market-makers, organized by the federal executive body.

The candidates elected by the professional stock market-makers shall be confirmed for the participation in the Expert Council of the Federal Commission by the letter's decision.

The Chairman of the Expert Council of the Federal Commission shall be elected by the Expert Council members and approved by the Federal Commission's Chairman.

Procedure for nominating candidatures for the election to the members of the Expert Council of the Federal Commission from the professional stock market-makers and for holding the vote and summing up its results shall be established by decision of an-all Russia conference of the professional stock market-makers.

Candidates to the Expert Council of the Federal Commission from state bodies shall be nominated by these state bodies and endorsed by decision of the federal executive body.

The Expert Council of the Federal Commission for the Securities Market shall exercise the following functions:

prepare and consider in advance the questions relating to the discharge of the powers by the federal executive body;

formulate proposals on the main directions of the regulation of the securities market;

consider in advance the drafts of resolutions to be taken by the federal executive body and publish them at the request of any member of the Expert Council of the federal executive body.

The Expert Council of the federal executive body shall have the right to suspend the enforcement of the federal executive body's resolutions by a majority vote of its members for a term of six months.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 46 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 46.** The Provision of the federal executive body's Activity

The activity of the federal executive body shall provided by its working apparatus.

Expenses relating to the activity of the Federal Commission be covered from the federal budget resources used on the maintenance of the federal executive bodies.

The Federal Commission shall be a legal entity with its stamp depicting the National Emblem of the Russian Federation and its name.

The federal executive body shall have its settlement and other accounts, including its foreign currency account.

The seat of the federal executive body shall be the city of Moscow.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 47 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 47.** The Regional Branches of the federal executive body

*On the approval of the [List](#) of the Constituent Entities of the Russian Federation on the Territory of Which Operate Regional Branches of the Federal Commission for the Securities Market and on the interaction of the Federal Commission for the Securities Market with the Plenipotentiary Representatives of the President of the Russian Federation in Federal Districts see [Order](#) of the Federal Commission for the Securities Market No. 804-r of September 21, 2000*

Regional branches of the federal executive body shall be set up by its decision and by agreement with the executive bodies of the subjects of the Russian Federation in order to implement the statutory norms, rules and conditions of the functioning of the stock market, to realize in practice the decisions of the federal executive body and to exercise control over the activity of the professional stock market-makers.

The regional branch of the federal executive body shall operate on the basis of its regulations, approved by the federal executive body.

*On licensing the professional participants in the securities market by the regional divisions of the Federal Securities Commission of Russia see [Order](#) of the Federal Securities Commission No. 820-r of August 20, 1997*

*On the distribution of the functions of licensing registrars between the Federal Commission for the Securities Market and the regional branches of the Federal Commission for the Securities Market see [Order](#) of the Federal Commission for the Securities Market No. 274-r of June 9, 1997*

The Chairman of the regional branch concerned shall be confirmed by the federal executive body on the basis of the joint proposal made by the head of the executive power of the relevant subject of the Russian Federation and the Chairman of the federal executive body.

**Chapter 13. The Self-regulated Organizations  
of the Professional Securities Market-makers**

*On the self-regulated organisation of the management companies, see also [Federal Law No. 156-FZ of November 29, 2001 on Investment Funds/Trusts](#)*

*See the [Regulations](#) on the Self-Regulated Organizations of the Securities Market-Makers and of the [Regulations](#) on Licensing the Self-Regulated Organizations of the Securities Market-Makers, approved by [Decision](#) of the Federal Commission on the Securities Market No. 24 of July 1, 1997*

[Federal Law No. 185-FZ of December 28, 2002 amended Article 48 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 48.** The Concept of the Self-regulated Organization of the Professional Stock Market-Makers

A voluntary association of professional stock market-makers acting in conformity with this Federal Law and functioning on the principles of a [non-profit organization](#) shall be named the self-regulated organization of stock market-makers.

A self-regulated organization shall be set up by the professional stock market-makers for the provision of conditions for the professional activity of stock market-makers, the observance of standards of professional ethics in the securities market, the protection of the interests of the owners of securities and other clients of the professional stock market-makers who are members of the self-regulated organization, the introduction of rules and standards for the conduct of operations with securities that ensure the effective activity on the securities market.

All the incomes of the self-regulated organization shall be used by it exclusively for the fulfillment of its statutory tasks and shall not be distributed among its members.

In accordance with the requirements for the professional activity and the conduct of operations with securities, endorsed by the Federal Commission, the self-regulated organization shall introduce in the rules for the professional activity in the securities market and the standards of the conduct of operations with securities, and shall exercise control over their observance.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 49 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 49.** The Rights of the Self-regulated Organizations in the Regulation of the Securities Market

The self-regulated organization shall have the right:

to receive information about the results of inspections of the activity of its members, carried out in the order, established by the federal executive body or its regional branch;

to work out the rules and standards of the professional activity and operations with securities, carried out by its members and to exercise control over the observance in conformity with this Federal Law;

to control the observance by its members of the rules and standards of the professional activity and operations with securities, adopted by the self-regulated organization;

in conformity with the qualifying requirements of the Federal Commission to work out curricula and plans, to train the officials and the personnel of the organizations carrying on their professional activity in the securities market, and to determine the qualification of said persons and to issue to them qualifying certificates.

[Federal Law No. 185-FZ of December 28, 2002 amended Article 50 of this Federal Law](#)  
[See the previous text of the Article](#)

**Article 50.** Requirements Made for Self-regulated Organizations

The organization, set up by not less than 10 professional stock market-makers, shall have the right to file its application for acquiring the status of a self-regulated organization with the federal executive body.

The organization, set up by the professional stock market-makers, shall acquire the status of a self-regulated organization on the basis of the permit issued by the federal executive body. The permit issued by the federal executive body to the self-regulated organization shall include all the rights, provided for by this Article.

The following documents shall be submitted to the federal executive body in order to obtain the permit:

the certified copies of documents on the setting up a self-regulated organization;  
the rules and regulations of the organization, adopted by its members and compulsory for the implementation by all the members of the self-regulated organization.

The rules and regulations of the self-regulated organization shall contain the requirements for this organization and its members in respect of:

- 1) the professional qualification of the personnel (with the exception of the technical staff);
- 2) the rules and standards of the professional activity;
- 3) the rules limiting the manipulation of prices;
- 4) documentation and record-keeping and reporting;
- 5) the minimum amount of their own assets;
- 6) the rules for joining the organization for a professional stock market-maker and the withdrawal or expulsion from it;
- 7) equal rights to the representation in the elections to the organization's management bodies and the participation in its management;
- 8) the procedure for the distribution of costs, payments, and dues among the organization members;
- 9) the protection of the client's rights, including the order of considering the claims and complaints of the clients of the organization members;
- 10) the obligations of its members to the clients and other persons in the compensation of losses due to errors and commission during the professional activity of the organization's member or of its officials, and also due to the unlawful actions of the member of the organization or its officials and/or its personnel;
- 11) the observance of the procedure for the consideration of claims and complaints lodged the organization's members;
- 12) procedures for holding checks of the observance by the organization's members of the established rules and standards, including the creation of a control body and the order of acquainting with the results of checks of other members of the organization;
- 13) sanctions and other measures to be applied to the members of the organization, their officials and/or the personnel and the order of their application;
- 14) the requirements for the supply of open information for checks to be carried out on the initiative of the organization;
- 15) control over the implementation of sanctions and measures applicable to the organization's members and the order of their record-keeping.

The r which organizes trade shall be obliged to establish and observe the following rules in addition to the observance of the requirements, provided for by Item 3 of this Article and [Article 10](#) of this Federal Law:

- the rules of concluding, registering and conforming deals with securities;
- the rules of operations ensuring the trading with securities (clearing and/or payment operations);
- the rules of drawing up and record keeping of documents used by the organization's members and of carrying out operations with securities;
- the rules of settling disputes arising between the members of the organization during operations with securities and payments for them, including the monetary ones;
- the procedure for submitting information about the prices of demand and supply, about the prices and amount of deals with securities made by the organization's members;
- the rules of rendering services for persons who are not members of the organization.

A permit may be refused, if the documents submitted by the organization of professional stock market-makers do not contain the appropriate requirements, listed in this Article, and also provide for at least one of the provisions:

- the possibility of discrimination of the rights of customers who use the services of the organization's members;
- the unjustified discrimination of the organization's members;
- the unwarranted restrictions on the joining of the organization and on the withdrawal from it;

the restrictions that prevent the development of competition among the professional stock market-makers, including the regulation of the rates of remuneration and incomes from the professional activity of the organization's members;

the regulation of questions that do not relate to the jurisdiction of the self-regulated organization, and also do not correspond to the goals of its activity;

the provision of unreliable or incomplete information.

It shall be impermissible to refuse to issue permits or other grounds.

The permit for the self-regulated organization shall be recalled, if the federal executive body finds out breaches of the legislation of the Russian Federation on securities, the requirements and standards, established by the federal executive body, the rules and regulations of the self-regulated organization, the provision of unreliable or incomplete information.

The self-regulated organization shall be obliged to submit to the federal executive body the data on all the changes to be introduced to the documents on the creation of a self-regulated organization, its rules and regulations with a brief justification of the reasons and purposes of such changes.

Changes and additions shall be deemed to be adopted, unless during 30 calendar days since their receipt by the federal executive body a written notice about the refusal with its reasons has been sent to it.

## **Section VI. Concluding Provisions**

[Federal Law No. 185-FZ of December 28, 2002 amended Article 51 of this Federal Law](#)

[See the previous text of the Article](#)

**Article 51.** The Responsibility for Breaches of the Legislation of the Russian Federation on Securities

**1.** For breaches of this Federal Law and other legislative acts of the Russian Federation the persons shall bear responsibility in cases and in the order, provided for by the civil, administrative or criminal legislation of the Russian Federation.

*On imposing penalties for violation of the legislation of the Russian Federation on securities see [Federal Law No. 46-FZ of March 5, 1999](#)*

The damage caused as a result of the violating of the legislation of the Russian Federation on securities shall be compensated in the order, established by the [civil legislation](#) of the Russian Federation.

**2.** The professional stock market-makers shall have no right to manipulate with prices on the securities market and to compel people to buy or sell securities by submitting the deliberately distorted information about securities, the issuers of securities, the prices of securities, including information used in advertising.

Manipulating prices shall mean the actions committed for the purpose of making the appearance of rise and/or fall in prices and/or trade activity at the securities market in respect of the current level of prices and/or the current trade activity at the securities market for the purpose of inducing investors to sell or purchase publicly placed securities and/or securities put into public circulation, including:

dissemination of false or unreliable information;

making transactions in securities at auction sales held by stock exchanges and other trade promoters at the securities market which do not result in replacement of these securities' owners;

giving simultaneous instructions to purchase and sell securities at the prices that essentially deviate from the current market prices in similar transactions;

an agreement of two or several sales participants or representatives thereof to purchase (sell) securities at the prices which essentially deviate from the current market prices in similar transactions.

In the event of detecting facts that provide a ground to assume that in some persons' actions there are the signs of manipulating prices determined by this Item, the federal executive body for the securities market shall check said facts in the procedure established by laws of the Russian Federation and normative legal acts of the federal executive body for the securities market. On the basis of the results of this inspection and subject to the explanations of said persons the federal executive body for the securities market shall render a decision on recognizing the fact of price manipulating at the securities market and on bringing the guilty person (persons) to the responsibility provided for by laws of the Russian Federation and/or on suspending (withdrawing) the license issued to the professional securities market-maker that is guilty of manipulating prices, or on directing the materials of the inspection to law enforcement bodies.

*See [Regulations](#) on the Procedure for Checking the Actions of Persons Containing Indicia of the Manipulation of Prices on the Securities Market approved by [Decision](#) of the Federal Commission for the Securities Market No. 03-8/ps of February 7, 2003*

Said decision of the federal executive body for the securities market on the suspension (withdrawal) of the license issued to a professional securities market-maker shall enter into force, as of the moment of its receipt by the professional securities market-maker, or from the moment of entry of the court decision into legal force in the event of appealing against said decision with court. The decision of the federal executive body for the securities market shall be deemed as received by the professional securities market-maker, as of the moment of delivering a copy of the decision to the representative of the professional securities market-maker against his receipt or on the expiry of six days, as of the moment of directing a copy of the decision to the professional securities market-maker by registered mail.

The fact of manipulating prices in the securities market shall be acknowledged by a court of law.

**3.** In respect of the issuers which carry out the unfair issue of securities the federal executive body shall:

- adopt measures to halt the further placement of securities issued as a result of the unfair issue;

- publish in mass media information about the facts of the unfair issue and the grounds for the suspended placement of securities issued a result of the unfair issue;

- inform the written form about the need to remove the breaches, to introduce changes to the issue prospectus and other conditions of the issue, and also fix the time for the removal of breaches;

- send the materials of inspection of the facts of the unfair issue to a court of law for the application of measures of administrative responsibility to the issuer's officials in keeping with the legislation of the Russian Federation;

- send the materials of inspection of the facts of the unfair issue to the procurator's offices, if there are elements crime in the actions of the issuer's officials;

- give a written order on permitting the further placement of securities in case of the removal by the issuer of the breaches connected with the unfair issue of securities;

- file a claim in court for the recognition of the issue of securities as void, if the unscrupulous issue has misled the owners concerned or if the purposes of the issue contradict the principles of law and order and morality.

*See the [Regulations](#) on the Procedure for Suspending the Emission and for Recognizing the Issue of Securities as Not Having Taken Place or as Invalid approved by [Decision](#) of the Federal Commission of Russia on the Securities Market No. 45 of December 31, 1997*

**4.** The officials of the issuer who have taken a decision on the issue of securities that have not passed state registration shall bear the administrative or criminal responsibility in accordance with the legislation of the Russian Federation.

**5.** The issue of securities may be recognized as invalid on the action filed by the federal executive body, the regional branches of the federal executive body, the state registration body, the state tax service agency, the procurator, and also on the actions filed by other state bodies exercising their powers in the securities market in keeping with the legislation of the Russian Federation.

The recognition of the issue of securities as invalid shall entail the withdrawal from circulation of the securities issued with the violation of the established order of registration or the issue of securities, and also the return to their owners of the monetary means (other assets), received by the issuer against the payment for securities.

**6.** The professional activity in the securities market carried on without a license shall be illegal.

In respect of the persons who carry out their activity without licenses the federal executive body shall:

adopt measures to stop the unlicensed activity;

publish in mass media information about the fact of the unlicensed activity of a stock market-maker;

inform in writing the persons concerned about the need to receive a license, and also fix the time for this;

send the materials of inspection of the facts of the unlicensed activity to a court of law for the enforcement of measures of administrative responsibility against the officials of the stock market-makers in conformity with the legislation of the Russian Federation;

file a claim with a court of arbitration on the recovery for the benefit of the State of the incomes received as a result of the unlicensed activity in the stock market;

file a claim with a court of arbitration on the forcible liquidation of the stock market-makers, if it has failed to receive a license within the fixed period of time.

**7.** In case of the discovery of facts of unscrupulous advertising the federal executive body shall:

adopt measures to halt the unscrupulous advertising;

inform in writing the advertiser about the need to stop the unscrupulous advertising, and also fix the time-limits for this;

publish in mass media information about the facts of the unscrupulous advertising and the unfair advertisers;

send the materials of inspection of the facts of the unscrupulous advertising to a court of law for the application of the measures of administrative responsibility against the officials of the stock market-maker-advertiser in keeping with the legislation of the Russian Federation;

suspend the validity of the license for the activity by the professional stock market-makers who practice the unfair advertising of securities;

file its claim with a court of law on the recognition of the issue of securities as invalid, if the unfair advertisement has essentially misled the owners.

**8.** The professional stock market-makers and the issuers of securities, and also their officials shall have the right to appeal against the actions of the federal executive body aimed at the stoppage of breaches of the legislation of the Russian Federation on securities and at the application of measures of responsibility in the order, prescribed by the legislation of the Russian Federation.

**9.** In cases, provided for by this Federal Law and other legislative acts of the Russian Federation on securities, the stock market-makers shall be obliged to ensure the property interests of the owners with security envisaged by the legislation of the Russian Federation, and also to insure the property and the risks associated with the activity in the stock market.

*On the procedure for examination of cases involving breaches by credit institutions of the legislation on the securities market and application against them of disciplinary measures and other sanctions for breaches of the securities market legislation see [Regulations](#) of the Central Bank of Russia No. 49-P of August 19, 1998 and [Direction](#) of the Central Bank of Russia No. 319-U of August 19, 1998*

[Federal Law No. 185-FZ of December 28, 2002](#) supplemented this Federal Law with Article 51.1:

**Article 51.1.** Specifics of Placement and Circulation of Foreign Issuers' Securities

1. Foreign issuers' securities, save for the securities of international financial organizations, shall be admitted for placement and public circulation in the Russian Federation in the presence of an international treaty of the Russian Federation or an agreement made by the federal executive body for the securities market on the basis of the decision of the Government of the Russian Federation and an appropriate body (organization) of the foreign issuer's country and providing for a procedure for their interaction.

A list of international financial organizations whose securities are admitted to placement and public circulation in the Russian Federation shall be endorsed by the Government of the Russian Federation.

2. In the event of public placement and/ or putting into public circulation of foreign issuers' securities, including those of international financial organizations, the rights to such securities shall be registered by depositories which are legal entities under laws of the Russian Federation and which comply with the requirements of normative legal acts of the federal executive body for the securities market with regard to such depositories.

3. The requirements with regard to the documents submitted for the state registration of a securities issue (additional securities issue) of foreign issuers, including those of international financial organizations, for registration of securities issue prospectuses and the state registration of reports on the results of issues (additional issues) of emissive securities of such issuers, to the composition of data to be included into these documents, to their formalization, as well as to the composition of, and the procedure for disclosing, information by foreign issuers, including international financial organizations, shall apply subject to the exceptions determined by normative legal acts of the federal executive body for the securities market.

See [Regulations on the Specifics of Issuing Bonds and Disclosing Information by International Financial Organizations on the Territory of the Russian Federation, endorsed by Decision of the Federal Securities Market Commission No. 03-24/ps of April 24, 2003](#)

[Federal Law No. 185-FZ of December 28, 2002](#) amended Article 52 of this Federal Law  
[See the previous text of the Article](#)

**Article 52.** The Transitional Provisions in Connection with the Entry of this Federal Law into Force

The credit organizations shall have the right to engage in the professional activity in the securities market on the basis of a license for banking operations during one year since the entry of this Federal Law into force. The federal executive body shall have the right to prolong the said period up to two years.

[Decision of the Federal Commission for Securities Market No. 5 of January 24, 1997](#) established that loan organizations shall have the right until October 1, 1997 to pursue broker and dealer activities under the [licenses](#) for the pursuance of banking transactions issued by the Central Bank of the Russian Federation prior the coming into force of the [Decision of the Federal Commission for Securities Market No. 22 of December 19, 1996](#) in accordance with the requirements set forth in the [Temporary Regulations on the Procedure for the Pursuance of Broker and Dealer Activities on Securities Market](#)

See also [Decision of the Federal Commission for Securities Market No. 1 of January 9, 1997](#)

The investment institutions engaged in the professional activity in the securities market on the

basis of the license issued before the entry of this Federal Law into force, and also the stock exchange shall being their constituent and internal documents with this Law during one year since the time of its official publication. The federal executive body shall have the right to prolong this period for up to two years.

*Decision of the Federal Commission for Securities Market No. 3 of January 22, 1997 established that the currency exchanges having stock departments shall have the right to pursue until October 1, 1997 the activities of the organizers of trading on the market of the securities of the state, the subjects of the Russian Federation and municipal securities under the licenses issued by the Ministry of Finance of the Russian Federation prior to the coming into force of this Law*

*See also the Decision of the Federal Commission for Securities Market No. 14 of March 26, 1997*

*See the Regulations for Licensing the Activity in the Security Market in the Capacity of Investment Institutions.*

**Article 53.** The Procedure for the Enforcement of the Present Federal Law

1. The present Federal Law shall enter into force since the day of its official publication.
2. The President of the Russian Federation shall order and the Government of the Russian Federation shall be instructed to bring their normative legal acts into conformity with the present Federal Law.

President of the Russian Federation  
Moscow, the Kremlin

Boris Yeltsin