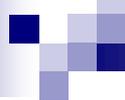


Major changes in Russian legislation concerning financial markets

Federal Financial Markets Service

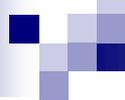
Deputy Head

A. Sinenko



Newly adopted laws

- Federal Law On organized trading (markets)
- Federal Law On Clearing
- Federal Law On Central Securities Depository



Legislation on organized markets

The Law standardized rules and regulations concerning trade operations with various financial instruments – equities, currency and commodity derivatives on the regulated markets, thus streamlining organized trade process. Regard was also given to regulation of the recent innovative ways of market organization such as MTFs.

Legislation on Clearing

- **One of the most important laws recently adopted aimed at reducing systemic risks and transaction costs via use of Central Counterparty clearing mechanisms.**
- **The Law created legal base for regulation and supervision of clearing activities, established licensing requirements for clearing organizations, set powers and competences of the supervisory bodies.**
- **It set legal basis for Central Counterparty clearing, and requirements to entities which can execute CCP functions (clearing organizations and banks). The Law set rules to CCP risk management system, provided for creation of individual and collective guarantee clearing funds**

Legislation on Clearing

- **Legal changes also gave FFMS powers necessary to set requirements for CCP clearing of standardized OTC derivatives in line with G20 recommendations.**
- **Legal changes enhanced market transparency by empowering FFMS with authority to set requirements for reporting deals with financial instruments (including OTC derivatives and REPOs) and setting data repositories. FFMS regulation on such reports and storing information in repositories has been adopted quite recently.**

Legislation on Central Securities Depository

- **The Law sets legal grounds for centralization of securities ownership registration system. The adoption of law simplifies access for foreign institutional investors to Russian market and raise reliability of the system of securities ownership rights register keeping.**
- **The law provides for the single CSD, which is a non-government non-bank credit organization, whose shares are owned by securities market participants.**
- **CSD has an exclusive right to open nominee accounts within securities registers for public companies. The CSD functions include settlement finality, legal title of securities, completion of securities settlement. The law provides for reconciliations of positions between the CSD and registrars on a daily basis and records in CSD prevails in case of discrepancy.**

Legislation on Central Securities Depository

- The new legislation provides for CSD to open accounts for Russian equities Depository Receipt to which special regime will be applicable.
- A corporate governance requirements will be created for CSD to provide accounting transparency and protection for the CSD's participants. The CSD tariffs are to be approved by the special Committee of CSD services users. And special liability mechanisms are provided for CSD.
- Foreign CSDs will be entitled to open accounts only with Russian Central Depository.
- Only Russian custodian can open accounts in Russian CSD. So foreign investors can execute transitions with Russian equities either through foreign CSDs with an open account within Russian CSD or through Russian custodians who has accounts opened in CSD.



Thank You!