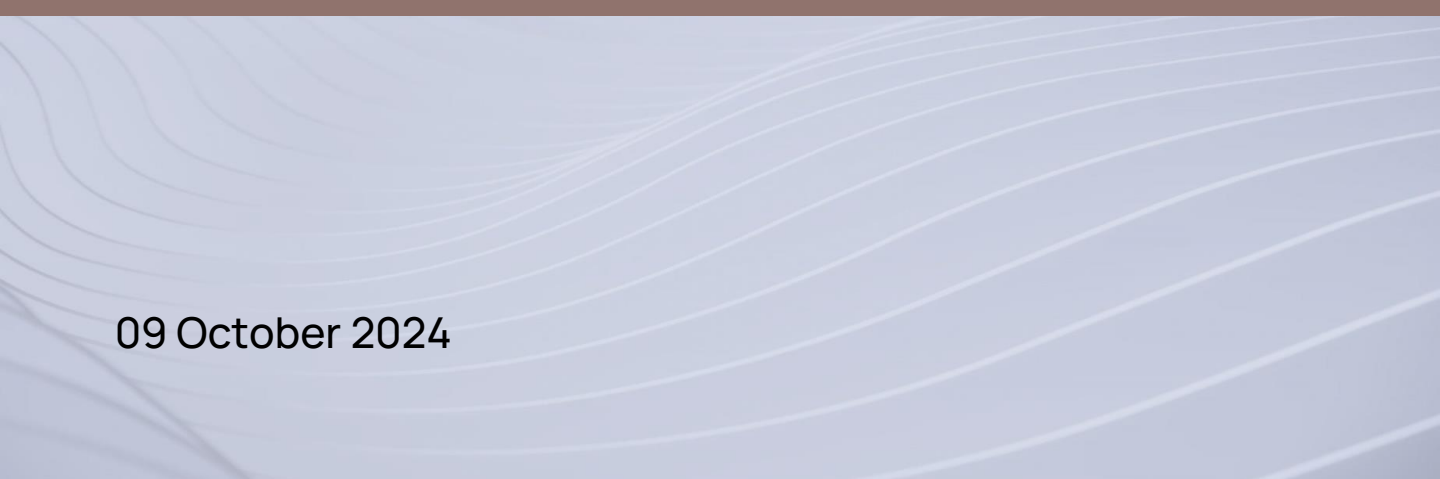




New Rules for Custody of Shares on New Type S Accounts



09 October 2024

On 2 October 2024, Presidential Decree No. 840 (*Decree No 840*) instructed Russia's Central bank (*CBR*) to:

- a) introduce a regulatory framework for new Type S custody accounts to be opened by Russian depositaries directly with Russian registrars (*New S Accounts*); and
- b) specify which Russian securities are to be kept on such New S Accounts.

Pursuant to Decree No. 840, the CBR's Board of Directors introduced the relevant new rules for transactions involving the New S Accounts by adopting, on 3 October 2024, the following two regulations (the *CBR Regulations*):

- a) "On establishing the procedure and terms for nominee holders which keep for the securities' rights of its depositors in type S depo accounts, taking actions aimed at opening type S personal custody accounts of these nominee holders in the register of securities' owners and crediting securities to such personal accounts, the procedure and terms for opening type S personal custody accounts of nominee holders by the register holder to the nominee holder, on determining the type of securities to be credited to such personal accounts, as well as on the requirements for activities of the registrar holder, depositaries and the central depositary"; and
- b) "On establishing the regime of the type S personal custody account of the nominee holder".

In summary, the CBR Regulations obligate Russian depositaries to ensure that shares in Russian companies and shares in international companies (collectively, *Shares*) are to be transferred from type S depo accounts to New S Accounts in accordance with the following procedure.

The National Settlement Depository (the *NSD*) is to (i) collect the relevant information from the Russian depositaries that have opened nominee accounts with the NSD with respect to Shares and (ii) instruct the relevant Russian registrars to, and such Russian registrars must, open New S Accounts for such depositaries for subsequent transfers of Shares from the relevant NSD accounts to the relevant New S Accounts. As a result of these operations, the clients of the relevant depositaries will continue to (i) hold their respective Shares on such depositaries' type S depo accounts, which now correspond to the relevant New S Accounts opened by the depositaries with the registrars and (ii) remain subject to the same transfer restrictions with respect to the Shares as applied to the type S depo accounts prior to Decree No 840.

From 4 October 2024 (and, for Shares subject to Presidential or Governmental Commission's approvals, from 10 October 2024) and until completion of this procedure, any transactions with Shares (including those subject to Presidential or Governmental Commission's approvals) are being suspended and, in our estimate, this suspension should be effective for at least 12 calendar days. After completion of the relevant operations, the suspension will be lifted, with the relevant notification to be sent by the depositaries to their clients.

After the lifting of the suspension, the relevant depositaries, if so instructed by their clients holding Shares subject to Presidential and Governmental Commission's approvals, must (i) open New S Accounts with the relevant registrars and (ii) transfer such Shares to type S depo accounts corresponding to such New S Accounts.

CBR Regulations also allow a re-transfer of Shares subject to Presidential and Governmental Commission's approvals to non-depo S accounts (by crediting them back to the relevant NSD account with the registrars).

Although the purpose of the new rules is not entirely clear, they purport to exclude the NSD, after the expiry of the OFAC's relevant NSD licence, from the Russian custody chain by allowing custody of, and operations with, Shares (owned by non-residents from unfriendly states) on type S depo accounts corresponding to the relevant New S Accounts.

Decree No. 840 ceases to be effective on 31 December 2025.

We will follow the situation as it develops.