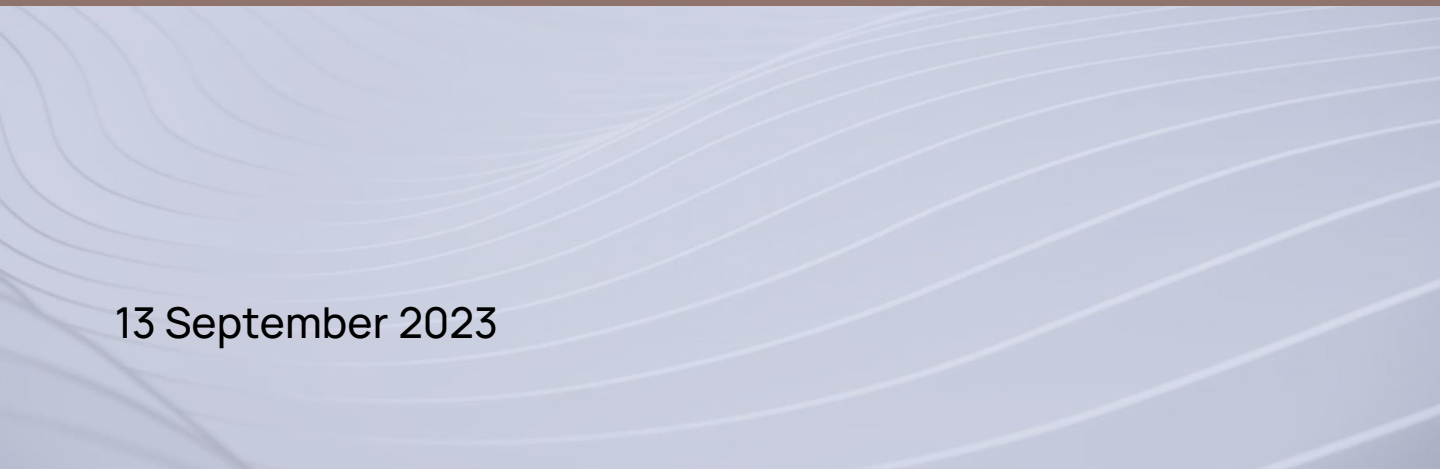




NEW PAYMENT PROCEDURE FOR RUSSIAN EUROBONDS



13 September 2023

On 9 September 2023, Russian President Vladimir Putin signed Decree No. 665 “On the temporary procedure for the performance of state debt obligations of the Russian Federation owed to residents and foreign creditors and expressed in foreign currency-denominated government securities and other obligations under foreign securities” (*Decree 665*).

Decree 665 abolishes the procedure stipulated in an earlier presidential decree, i.e., No. 394 (which had nearly the same heading and was in force from 22 June 2022) and introduces a new regime for the performance by the Ministry of Finance of debt obligations under sovereign Eurobonds held by Russian and foreign bondholders. Decree 665 divides all such bondholders into three categories: (a) bondholders whose title is registered with the National Settlement Depository (the *NSD*) or other Russian depositaries, i.e., the NSD’s sub-custodians; (b) Russian depositaries who are sub-custodians of foreign depositaries; and (c) foreign depositaries and all their clients (except for Russian depositaries, who belong to category (b)), and sets out new rules for the service of debt manifested by Russian sovereign Eurobonds held by such categories of investors.

Similarly to Decree No.394, Decree 665 establishes a procedure for the opening, in absentia, of type “I” accounts with the NSD in the name of foreign depositaries, a mechanism for settlement, through type “I” accounts, with bondholders holding their sovereign Eurobonds through foreign depositaries, as well as a procedure for the indexation of rouble cash balances standing to the credit of type “I” accounts. Further to Decree 665, the Central Bank must introduce further regulations on type “I” accounts.

Under Decree 665, the NSD must maintain a register of the holders of Russian sovereign Eurobonds (the *Register*). Furthermore, Decree 665 releases the NSD from liability towards Eurobond holders holding Eurobonds through foreign depositaries for the failure by the latter to distribute among them, in accordance with NSD’s instructions, the debt service proceeds received from the NSD.

As a key novelty, the Decree 665 allows the NSD to apply some of the debt service proceeds received by it from the Ministry of Finance (on account of sovereign Eurobonds) towards settlement with the NSD’s clients in connection with foreign securities held by the NSD on their behalf with foreign depositaries (such as Euroclear and Clearstream) and frozen there.

