

June 08, 2016

Corporate Actions Reform

Please be advised that starting from July 1st 2016 new regulations of the Federal law № 210-FZ dated 29.06.2015 «On changes to certain legislative acts of the Russian Federation and expiration of certain provisions of legislative acts of the Russian Federation», come into force. The regulations introduce changes to the following Russian Federal Laws: № 39-FZ dated 22.04.2016 «On securities market» and № 208-FZ dated 26.12.1995 «On joint stock companies».

The main changes refer to corporate actions processing in Russia:

1. Introduction of new procedure for execution of rights fixed by securities during corporate actions processing through electronic document system

The Federal Law «On securities market» (hereinafter - Law) was supplemented with a new article 8.9. According to the article entity/person which executes rights on securities safekept with a nominee holder, a foreign nominee holder, a foreign company, which has the right to maintain records and execute transfer of securities in accordance with its current legislation (hereinafter – Nominee Holders), can execute its preemptive right to purchase securities, the right to claim buy-back, purchase or redemption of its securities only via submission of an instruction to its Nominee Holder.

Entity/person which executes rights on securities safekept with a Nominee Holder can perform the following actions either giving instructions to its Nominee Holder, if it is stipulated by the relevant agreement, or acting personally / (via an authorized representative):

- 1) to propose new issues to a general shareholders' meeting agenda
- 2) to propose candidates to management bodies and other bodies of an issuer being a joint stock company, or a candidate of bond holders' representative;
- 3) to request calling a general meeting of shareholders;
- 4) to participate and vote at a general meeting of shareholders;
- 5) to execute other rights fixed by securities.

In accordance with the received instructions a nominee holder sends information on the will of its client - an entity/ person which executes rights on securities, and information on the will received from its clients - nominee holders and foreign nominee holders, to the entity where the Nominee Holder has an opened nominee securities account (depo account). The Nominee Holder does not need a power of attorney to execute its clients' rights.

Information, documents, messages are exchanged between a registrar and a nominee holder in an electronic form. The terms and conditions of an electronic way of communication with the central depository, including formats of electronic documents, are defined by the central depository.

VTB Bank Custody will provide services to its clients in accordance with the above mentioned changes. In order to participate in corporate action events VTB Bank Custody clients have to provide an instruction in accordance with VTB Bank Custody requirements.

2. New approach to the collection of information about securities' owners and about entities/persons which execute rights on securities

The Law was supplemented with a new article 8.6-1 related to the procedure of providing information by registrars, nominee holders or a depository responsible for obligatory centralized safekeeping of securities. According to the article upon receipt of the request of an issuer and/ or the Bank of Russia, a nominee holder should provide a list of the securities' owners as of the date indicated in the request. The issuer has the right

to request such information if it relates to the execution of its responsibilities presumed by federal laws. The list should be submitted within 15 business days from the request receipt date.

Upon receipt of such request the depository has the right to request its clients, who have custody accounts of nominee holder, foreign nominee holder, depository programs to provide information for the disclosure of securities' owners as of the certain date.

A foreign nominee holder, foreign authorized holder and holder of depository programs' account is obliged to take all reasonable measures to provide the depository with the information on securities' owners and other entities/persons which execute rights on securities. The depository is obliged to notify the Bank of Russia if such disclosure is not provided.

The Law was also supplemented with a new article 8.7.-1 which says that the list of entities/persons exercising rights on securities (list of entities/persons entitled to participate in general meetings of securities' owners; list of entities/persons entitled to execute its pre-emptive rights to purchase securities and others) is prepared by a registrar or depository responsible for obligatory centralized safekeeping of the securities at the request of an issuer or other entity which has the right to request such list in accordance with the federal law.

A registrar prepares the list of entities/persons exercising rights on securities based on its records and the information received from the nominee holders.

The information which is to be included in such list can be provided by the nominee holder via a message/instruction containing declaration of will of the entity/person which executes rights on securities. Such message/instruction should also include:

- information which allows to identify the entities/persons exercising rights on the securities;
- information which allows to identify the securities;
- quantity of securities which belong to a particular entity/person exercising rights on the securities;
- international identification code of organization which keeps records on the securities of the entity/person.

The information should be submitted to the registrar or depository responsible for obligatory centralized safekeeping of the securities not later than the date defined by federal laws or requirements of the Bank of Russia for the submission of voting ballots, applications and other documents certifying the declaration of the will of entities/persons exercising rights on the securities.

Nominee holders and foreign nominee holders have the right not to disclose information about entities/persons exercising rights on securities, if it is stipulated by the agreement concluded with such an entity/person. In this case the entities/persons exercising rights on securities will lose their right to claim the issuer to fulfill its obligations with regard to the securities including buy-back or redemption, and to dispute general shareholders' meetings decisions.

Starting from July 1st 2016 VTB Bank Custody will disclose information on entities/persons which have to be included in the list of entities/persons exercising rights on securities, based on its records and information received from its clients in accordance with the legislation of the Russian Federation.

The Client, being an entity/person who exercises rights on securities can instruct VTB Bank Custody not to provide information about itself for the disclosure purposes.

3. Creation of corporate information center on the basis of the central depository

The Law will be added with a new article 30.3 «Information on securities to be provided to the central depository». According to the article an issuer is obliged to provide information related to execution of securities' rights to the central depository, if the depository has an opened securities account of a nominee holder of central depository, or if the central depository acts as the depository responsible for obligatory

centralized securities safekeeping. The scope of such information, as well as procedure and terms of its submission are defined by regulations of the Bank of Russia.

The information received by the central depository is available on its official web-site. In case of any discrepancy between the information published by the central depository and the information disclosed by an issuer in accordance with federal laws the information published by the central depository shall prevail.

Please note that the National Settlement Depository (NSD) launched a web-site dedicated to the corporate actions reform - www.corpactions.ru where you can find the detailed information about the reform, legislation and formats of electronic documents worked out by NSD.

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