

Thinking About Raising Funds? Emission of Securities is Now Becoming Easier!

On December 27, 2018, a new law was passed, which simplifies, cheapens, and shortens the procedure for issuing shares and other emission securities. It will come into force on January 1, 2020. In our article, we will explain what will change in the procedure, and why this way of raising funding becomes more attractive.

ELECTRONIC FILING AND CANCELLATION OF “SUPERFLUOUS” DOCUMENTS

For the first time, it will be possible to submit the following documents in electronic form to the Bank of Russia or to the appropriate registering organization:

- documents for registration of the issue (additional issue) of emission securities, prospectuses for securities, bond programs, and documents on the terms of securities distribution
- reports on the results of emission and registration documents for such reports
- notifications about emission results

The “certificate” as a document certifying the rights of holders of emission securities will be cancelled. The rights of such holders will be certified by records on personal accounts in the registry or by records on custody accounts in depositories.

SHARE ISSUE REGISTRATION PRIOR TO REGISTRATION OF A JOINT STOCK COMPANY (“JSC”)

For the first time, the law will allow decisions on share issue registration to be made prior to the registration of a JSC. This decision will come into force on the date of the official state registration of a JSC. Thus, the legislator solves the problem of JSCs without registered shares. So far, the adoption of such an advanced decision on share issue registration is only possible within the reorganization of a legal entity.

THE LAW ALSO SIMPLIFIES

- the obligation to submit a notification on the results of the securities emission will be transferred from the issuer to the registrar / depository
- the registrar will be entitled to register the issue of shares within the establishment of a JSC instead of at the Bank of Russia
- the approval procedure of the decision to issue securities of certain types by the authorized body of the issuer will be cancelled
- the right to sign a decision to issue securities can be transferred by the sole executive body of the company to a company's authorized official
- the requirements for information disclosure by issuers of securities will be changed
- the issuance of perpetual bonds is possible (the provisions entered into force on 28.12.2018)
- restrictions on bond flotation terms (within 1 year from the date of registration of their issue) will be cancelled
- new “preference shares with a priority for dividends receipt” appear (the provisions entered into force on 28.12.2018)

HOW WILL THIS AFFECT YOUR BUSINESS?

Experts who participated in the development of the law believe that now the issue of securities, as a form of raising funds for projects, may in some cases become more profitable and convenient than credit financing. In this regard, it is advisable to re-evaluate the pros and cons of the mentioned forms of funds raising, taking into account the new advantages of securities emission. When creating a new business, it is reasonable to consider a JSC, which has become more attractive than it was before. Existing JSCs need to monitor the adoption of the new regulations by the Bank of Russia regarding information disclosure by issuers.

How can SCHNEIDER GROUP help?

Over the past few months, several new lawyers with substantial experience supporting projects of varying complexity have joined SCHNEIDER GROUP's legal team. With this in mind, we are glad to offer you an

expanded scope of legal services, such as creation of joint-stock companies in Russia, issue of securities, support of shares sale and purchase transactions (SPAs), and many more:

- support for public shares placement (IPO)
- advice on compliance with regulatory requirements after the IPO
- support for implementation of a compliance management and monitoring system
- financial management
- market research

Contact us for consultation and support.



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