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COVID-19: Simplified Share Buybacks and Corporate Procedures in Russia in 2020

April 2, 2020

On April 1, 2020, the Russian State Duma passed a bill in the third reading (the “Bill”), which introduces a simplified procedure for share buybacks on stock exchanges by public companies until the end of 2020 and loosens legislative requirements for certain corporate procedures in joint stock companies and limited liability companies.¹

SIMPLIFIED SHARE BUYBACK PROCEDURE

- The Bill introduces a simplified procedure for buybacks by public joint stock companies of their own shares on a stock exchange: until December 31, 2020, they may acquire their own shares (except for the purpose of reduction of their total amount), provided that all the below conditions are met:
 - shares are admitted to trading on a stock exchange;
 - the volume weighted average price of the acquired shares, determined for any three months starting from March 1, 2020, decreased by 20% or more as compared to the three-month volume weighted average price of such shares starting from October 1, 2019;
 - a securities market index, calculated by the stock exchange for any three months starting from March 1, 2020, decreased by 20% or more as compared to its weight calculated by the stock exchange for the three months starting from October 1, 2019;
 - shares are acquired by a broker on a stock exchange on the company’s instruction based on the orders addressed to all traders; and

¹ On March 18, 2020, a federal law which allowed Russian joint stock companies to conduct all general shareholders’ meetings (including annual) in the form of absentee voting in 2020 entered into force. We discussed this in detail in our *Debrief*, dated March 19, 2020, available [here](#).

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- the board of directors of the company adopted a respective decision specifying types and number of shares to be acquired, as well as the time period for the acquisition. Such period must expire not later than by December 31, 2020.
 - Before adoption of the Bill, such share buybacks on a stock exchange could be made only via a subsidiary of a public company, and the respective procedure was not set out by law.
 - Certain provisions of the JSC Law² will not apply to the simplified procedure for share buybacks, in particular, the time period for notifying the shareholders of the buyback (not later than 20 days before commencement of the time period for accepting the tenders on the sale of shares) and the time period for accepting the tenders on the sale of shares by the shareholders (not less than 30 days).
 - A public joint stock company will have to send a notification of the simplified share buyback to the Central Bank of Russia via its personal user account; however, the term for such notification has not been set by the Bill.
 - A company may decide not to disclose information about the simplified share buyback in the form of a regulatory material fact statement if this is provided by the respective decision on the share buyback.
 - A number of provisions of, and restrictions imposed by, the JSC Law will continue to apply to the simplified share buyback procedure, in particular:
 - a company may buy back not more than 10% of its shares since shares with a value not less than 90% of the company's charter capital must remain outstanding following completion of a buyback;
 - the acquired shares do not grant voting rights, are not taken into account during the voting at a general shareholders' meeting, and the dividends do not accrue on them; and
 - the acquired shares must be disposed of within one year from the acquisition date at the price not less than their market value.
 - Current legislation on inside information and market manipulation will also apply to the simplified share buybacks. A public joint stock company must ensure, when filing the instruction with the broker on the acquisition of shares, that it does not possess any inside information which has not been properly disclosed, and the

² Federal Law No. 208-FZ on Joint Stock Companies, dated December 26, 1995 (as amended, the "JSC Law").

instruction to the broker has been prepared and filed in a way not constituting market manipulation.

AMENDED TERMS FOR CORPORATE ACTIONS

- The Bill sets out the following amendments of terms for corporate actions in 2020:
 - terms for conducting a general meeting: annual general shareholders' meetings and regular general meetings of participants of a limited liability company may be conducted not later than September 30 (they must generally be conducted not later than June 30 for joint stock companies and not later than April 30 for limited liability companies);
 - terms for presentation of consolidated financial statements: annual consolidated financial statements must be presented not later than **180 days** after the end of the reporting year (not later than 120 days as a general rule), and interim consolidated financial statements must be presented not later than **150 days** after the end of the reporting period (not later than 60 days as a general rule); and
 - terms for disclosure of issuers' financial statements: annual (consolidated) financial statements of the issuer for 2019 must be disclosed within three days after the preparation of the auditors' report, but not later than **210 days** after the end of 2019 (not later than 120 days as a general rule), and interim (consolidated) financial statements of the issuer must be disclosed within three days after the preparation of the auditors' report or a similar document, but not later than **180 days** after the end of the reporting period (not later than 60 days as a general rule).

OTHER AMENDMENTS

- Pursuant to the Bill, the following obligations of public joint stock companies will enter into force on January 1, 2021 instead of July 1, 2020:
 - to arrange for an internal audit to assess risk management and internal control; and

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- to establish an audit committee of the board of directors.³
 - The Bill provides that reduction of the net assets value of joint stock companies and limited liability companies upon the end of 2020 will not be taken into account for the purposes of regulations requiring companies to reduce their charter capital to the amount not exceeding the net assets value or to make a decision to liquidate.
 - The Bill extends the deadline for joint stock companies established prior to September 1, 2014 to register a share prospectus with the Central Bank of Russia or to remove the reference to the public status from their charters and company names, if their charters and company names contain such reference, from July 1, 2020 to January 1, 2021.
 - Adoption of such decision requires $\frac{3}{4}$ votes of holders of voting shares participating in the general shareholders' meeting.
 - To register amendments to its charter, a company must submit, among other documents, a document issued by the Central Bank of Russia confirming that such company is exempt from an obligation to disclose information pursuant to securities market laws or does not have such obligation.
 - The Bill provides that, in 2020, the Board of Directors of the Central Bank of Russia can extend the deadline for disclosure of certain information, in particular, of an issuer's report, accounting (financial) statements and lists of affiliated persons, as well as extend deadlines for preparing and submitting accounts and other information by credit and noncredit financial organizations.

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Debevoise & Plimpton LLP advises leading Russian companies on tender offers for their equity securities and open market buybacks. In total, Debevoise & Plimpton LLP has represented leading Russian companies in tender offers and open market buybacks for an aggregate amount of over \$18 billion. We support amendments to Russian legislation providing companies with an opportunity to directly purchase their own shares.

Please do not hesitate to contact us with any questions.

³ We discussed this in detail in our *Debevoise Update*, dated July 25, 2018, available [here](#).

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