

SMI Markets: **Russia**

Date: 25 Sep 2012

CMIRR Markets: **Russia**

FFMS Prepares Changes on Securities Income Legislation

The Federal Financial Markets Service (FFMS) is working on some modifications to different Federal laws which would result in a new asset servicing procedure.

The salient points under consideration are:

- Dividends distribution through the chain of custodians and sub-custodians until the final beneficial owner is reached. That means, issuers no longer will pay directly to the disclosed beneficial owners but to the custodians who previously must have agreed the distribution mechanism with their clients.
- Disclosure of the final beneficial owners from the foreign nominee accounts and depository receipt depositories for withholding tax purposes. This information will not be supplied to issuers or the upper-level custodians / depositories (including the CSD once it is created) and excludes cases related to collective investment vehicles such as mutual or pension funds, etc.;
- Introduction of a separate record date "the dividend record date" for the calculation of dividend entitlements. This dividend record date cannot be set retroactively (i.e. prior to the General Meeting date);
- Delegation of tax agent function for all types of income on local custodians who would receive gross payments from issuers for onward distribution to underlying clients after the deduction of the correct tax amounts.

The draft amendments are not final and may be substantially changed as a result of revision by the other authorised bodies such as the Ministry of Finance.

Market Information Impact

Russia

This information affects the data contained in the Dividends/Income sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Russia

Market Rating: BBB

Market Flash Impact: On Watch

Impacted Risk Type: Asset Servicing Risk

Current Rating = A-

Flash Impact = On Watch

As there is not an available final draft is too early to assess the impact of such measures in the Russian Market.

For further information contact:

Ana Giraldo - Americas and Eurasia
Barry Morales - Asia Pacific
Guillaume Viteau - Western Europe (incl. EU)
Sinang Chrea - Africa, Middle East

Tel. +44 (0)20 8600 2300 | Fax. +44 (0)20 8741 7468
Email: cmiqueries@thomasmurray.com

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