



**European Association for
Holders of Commonwealth
of Independent States
Securities (EAHCIS)**



Where's my money?

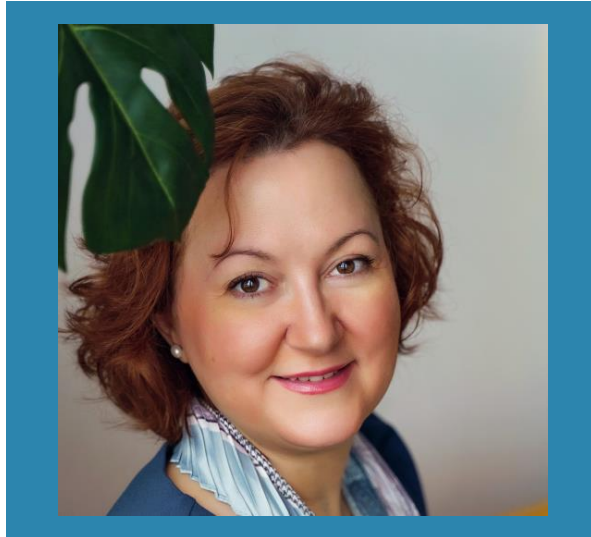
How to claim unpaid dividends on Russian securities

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Speakers



European Association for Holders of Commonwealth of Independent States Securities (EAHCISS)



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www.EAHCISS.org

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Webinar topics

- Background EAHCISS
- ADR Conversion
- Relevant legislation
- Procedure on how to claim unpaid dividends
- EU Sanctions
- Personal experience
- Questions



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Background

- European Association for Holders of Commonwealth of Independent States Securities
- Founded by investors from the Discord channel “Russian ADR/GDR Community”
- Registered in Amsterdam as an association under Dutch law
- Investors can become a member for € 30 a year
- Vacancies for commissions / supervisory board
- More info: www.eahciss.org
- contact@eahciss.org



Activities

- Goal is to represent the interests of its members
- Public affairs (contacts with regulators, legislators and other relevant stakeholders)
- Press interviews / statements
- Exchange and spread knowledge between members (such as this webinar)
- Use collective funds to hire experts or fund subscriptions to relevant resources
- Undertake collective legal proceedings

Key points

- Western brokers have not facilitated dividend payments (either for ADR's or Russian ordinary shares)
- **Rules of thumb**
 - no dividends unless your ADR's have been converted
 - dividends are paid to type-C accounts
 - no interest on type-C accounts
 - 3 years to claim
 - complex procedure



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ADR Conversion

- If you haven't converted your ADR's, you may not be able to do so after October 12th, 2024, when the OFAC License GL100A expires.
- Time is extremely short! Get to work!
- You would normally require a Russian bank account.
- Submit an order through your broker.
- Depository Banks are likely to close the books as they don't want to risk breaching sanctions against NSD. BNYM closes the books on the 20th of September!
- In Europe Clearstream will ask for authorisations that have been granted on the basis of Article 6b(5aa) of Reg. (EU) 269/2014.
- We share the view of the Bundesbank that an EU derogation is not required when no funds are being made available to NSD, especially when the conversion fully takes place internally within the local custodian for the depository bank (this is often Raiffeisen Bank Russia, but for Gazprom Gazprombank).
- Some brokers are uncooperative. This may result in collective litigation by EAHCISS.



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Relevant legislation for dividends

- Won't cover the details here.
- We'll focus on the legislation that is relevant for Western investors that are from countries that are deemed non-friendly from a Russian law perspective (we will **not** cover Presidential decrees 81, 138 and 198).
- Relevant legislation is different for investors from Russia and countries that are deemed friendly or neutral from a Russian law perspective.
- The legislation is complex, especially in cases of dual nationalities or when an investor that has a nationality from a 'non-friendly country' is a resident in Russia or a 'friendly country'.



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Relevant legislation – End of ADR-programs



Take away message:

- Russian companies were forced to quit their ADR-programs.
- ADR's traded after the 27th of April 2022 can't be converted, except when permission was granted by the government committee to extend the depositary receipt program.
- No dividends can be paid on ADR's, except when permission was granted by the government committee to extend the depositary receipt program
- Extensions were granted:
 - Current: Novatek
 - Expired: Rosneft, Surgutneftegas, Norilsk Nickel

Relevant legislation:

- Federal Law "On Amendments to the Federal Law "On Joint-Stock Companies" and Certain Legislative Acts of the Russian Federation" dated 16.04.2022 No. 114-FZ
- Decree of the Government of the Russian Federation dated 16.04.2022 No. 672

Payment of dividends for depositary receipts permitted for circulation outside of the Russian Federation

Payment Status for the Depositary Programmes

Name of the security	ISIN	Record date (date on which the persons entitled to receive dividends are determined)	Status of payments to the Russian depositaries	Deadline for submission of documents in the application procedure	Status of payments within the application procedure
NOVATEK JT STK CO	US6698881090	03.05.2023	To be confirmed	To be confirmed	To be confirmed
NOVATEK JT STK CO	US6698881090	09.06.2022	Paid	23.09.2022	Paid
NOVATEK JT STK CO	US6698881090	09.10.2022	Paid	20.01.2023	Paid
MMC NORILSK NICKEL PJSC	US55315J1025	14.06.2022	Paid	15.09.2022	Paid
Surgutneftegas PJSC - Preferred	US8688611057	20.07.2022	Paid	23.10.2022	Paid
Surgutneftegas PJSC - Common	US8688612048	20.07.2022	Paid	23.10.2022	Paid
Rosneft Oil Company	US67812M2070 (Reg S) US67812M1080 (144 A)	11.07.2022	Payments made by former depositary - JPMorgan	24.10.2022	Paid

Relevant legislation – Type C regime



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Take away message:

- Type “C” regime for investors from non-friendly countries. Both ordinary shares and dividend payments are subject to the type “C” regime.
- Russian debtor must open a type C Ruble account for you (you can’t open one yourself)
- This basically means that the securities and dividend payments are locked
- In practice no interest is paid on type-C accounts

Relevant legislation:

- Decree of the President of the Russian Federation dated 05.03.2022 No. 95 (as amended on 08.04.2024, as amended on 08.08.2024) "On the Temporary Procedure for the Fulfilment of Obligations to Certain Foreign Creditors"
- Decision of the Board of Directors of the Bank of Russia dated 21.11.2022 (as amended on 26.07.2024) "On the establishment of the regime of type "C" accounts for settlements and the implementation (execution) of transactions (operations) that are subject to the procedure for the fulfilment of obligations provided for by the Decree of the President of the Russian Federation dated March 5, 2022 No. 95 "On the temporary procedure for the fulfilment of obligations to certain foreign creditors"
- Decision of the Board of Directors of the Bank of Russia dated 22.12.2023 "On the Requirements for the Activities of Professional Securities Market Participants Engaged in Depository Activities when They Transfer Payments in Cash for Certain Types of Financial Instruments and on the Procedure for the Transfer of Funds by Russian Legal Entities Having Liabilities Related to Eurobonds to Eurobond Holders"

Procedure - overview

Take away message:

- You normally have 3 years to claim to claim the unpaid dividends (from the date of the decision to pay them), unless the articles of association of the issuer have extended this to a maximum of 5 years.
“Upon the expiration of this period, declared and unclaimed dividends are restored as part of the company's retained earnings, and the obligation to pay them is terminated.”
- It is easiest to follow the procedure set out by the Central Bank of Russia. See the websites of [Raiffeisen bank](#) and [Cifra broker](#) for deadlines.
- Some companies have set up their own temporary procedure.
- If you converted your shares through a Russian broker, the Russian broker may be able to claim them on your behalf. This works especially well if you converted Gazprom ADR's through Gazprombank. Gazprombank will claim them on your behalf with a simple written request.
- Claiming unpaid dividends outside of the set procedures is difficult and may require litigation.

Relevant legislation:

- Federal Law No. 208-FZ of 26.12.1995 (as amended on 08.08.2024) "On Joint-Stock Companies" (Article 42(9))
- Decision of the Board of Directors of the Bank of Russia dated 22.12.2023 "On the Requirements for the Activities of Professional Securities Market Participants Engaged in Depository Activities when They Transfer Payments in Cash for Certain Types of Financial Instruments and on the Procedure for the Transfer of Funds by Russian Legal Entities Having Liabilities Related to Eurobonds to Eurobond Holders"



ПАО "Варьеганнефть"	RU0007976775	акция	11.07.2024	19.07.2024	03.10.2024	14.11.2024
ПАО "Саратовский НПЗ"	RU0009100416	акция	08.07.2024	19.07.2024	03.10.2024	14.11.2024
ПАО "УК "Арсатера"	RU000A0JP0Q7	акция	08.07.2024	19.07.2024	03.10.2024	14.11.2024
ПАО "Газпром нефть"	RU0009062467	акция	08.07.2024	22.07.2024	04.10.2024	18.11.2024
ПАО "Россети Московский регион", ПАО "Россети МР"	RU000A0ET7Y7	акция	05.07.2024	22.07.2024	04.10.2024	18.11.2024
ПАО Сбербанк	RU0009029540	акция	11.07.2024	26.07.2024	10.10.2024	22.11.2024
ПАО Сбербанк	RU0009029557	акция	11.07.2024	26.07.2024	10.10.2024	22.11.2024

Procedure - documents

Normally required documents:

- Signed application forms
- Apostilled and notarized copy of passport (preferably translated)
- Proof of residence (preferably apostilled and translated)
- Apostilled proof of tax number (preferably translated)
- Apostilled and notarized copy of Power of Attorney (when you use a representative)
- Proof of ownership of the securities; either:
 - Apostilled notarized statement by broker (supported by an apostilled notarized statement that confirms the authority of the person who signed it) – this is practically impossible
 - Online inspection report by a Russian notary of your brokerage account
- More info for Raiffeisen:
https://www.raiffeisen.ru/en/corporate/depository/?active_tab=tab-2



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Procedure – help from a representative

Why consider a representative:

- Experience with the procedure
- Knowledge of relevant legislation
- Established contacts with depositaries, notaries, translators, etc.
- Can submit the files in person, so no dependence on mail delivery
- Can help you fill in the complex forms and review the forms
- Can be present with the notary on your behalf – notaries require someone to be present on your behalf when the inspection is done
- Keeps track of the deadlines for you



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Procedure - steps

Steps:

1. Find a representative (such as itlektis.ru) – optional, but recommended
2. Get the power of attorney notarized and apostilled (if you use a representative)
3. Get the notarized and apostilled copies of your passport, tax documents, proof of residency (if possible)
4. Get an inspection report from a Russian notary
5. Get the relevant documents translated into Russian and have the translation certified by a Russian notary. Translation is not always required but considered helpful.
6. Fill in the forms
7. Submit all documents in time



Procedure - costs

Approximate costs: € 1500 upwards:

- PoA notarization € 50 – € 400
- Notarized copy passport € 50 – € 350
- Russian notary costs from € 350 upwards (set by notary chamber)
- Costs for representative € 700
- Apostilles € 20-40 per apostille
- Mail delivery € 15 upwards
- Translation fees € 100 upwards



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EU-Sanctions



Take away message:

- Common view is that EU-sanctions do not prevent the payment of dividends.
- Sanctions may be interpreted in such a way that you would have to make an effort to claim dividends from sanctioned entities in order to avoid (indirectly) making funds available to them (because of the 3-year period). See Article 2(2) of 269/2014.
- Involvement of NSD in the payment chain may cause some national competent authorities to consider the funds frozen as soon as they are in control of an EU entity.
- Payment from sanctioned issuers may cause some national competent authorities to consider the funds frozen as soon as they are in control of an EU entity.
- You can apply for authorisation to have the funds unfrozen (insofar as they should be considered frozen on the basis of Article 2 of Reg. (EU) 269/2014) on the basis of articles 6, 6b(5h) and/or 6b(5i) of Reg. (EU) 269/2014.

Relevant legislation:

- Council Regulation (EU) No 269/2014 of 17 March 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine
- Consolidated version of the frequently asked questions concerning sanctions adopted following Russia's military aggression against Ukraine and Belarus' involvement in it (Issued by the European Commission)

20. Can the Russian State pay coupons on its Eurobonds?

Last update: 4 May 2022

EU sanctions do not impose any impediments to receive income payments, dividend payments or principal repayments of existing securities from Russian issuers. The restrictive measures imposed by the EU in [Council Regulation \(EU\) No 833/2014](#) in relation to purchases of the securities issued by the Russian State, certain banks and corporations apply to purchases of securities issued after a certain date (i.e. 9 March 2022 for securities issued by the Russian State or the Russian Central bank).

Personal experience

Take away message:

- It was a challenge. I was grateful for the help of a representative.
- I paid through my regular Gazprombank account. I have topped up the account through 1) cash deposit, 2) a wire transfer (some EU bank still facilitate this, such as ING in my case) or 3) via Volet cash and bestchange.com. Russian sims may stop working though.
- Notaries in the Netherlands refused to notarize the PoA. In the end I opted for notarity.com and did it online with a Swedish notary.
- Allow plenty of time for mail delivery to Russia. For me it took over 30 days for my documents to arrive. Universal Postal Services in Europe still deliver to Russia though.
- In case you don't have time for mail delivery (preferred), you may try to use electronically signed documents with electronic apostilles (e-apostilles). They may not be accepted by all Russian entities though.
- Some Russian entities only accept PoA's that were notarized by a Russian notary.
- Russian consulates offer notary services, but it is challenging to get an appointment, and you have to take an interpreter with you to translate from Russian.



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Questions?



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