We studied carefully the proposed document and we would like to ask you to amend this table taking into consideration some additional details and explanations on Russian practice as well our position on this subject.

Disclosure procedure in Russia is different from widely used in other markets as it is not made by BO but by CSD, nominees, and Registrars.

It is a Requirement for nominees (nominee account holders) or to trusty to disclose beneficial owners name, location and holdings of any issue to the issuer, Issuer agent (usually Registrar) or court bodies.

This is different from the current definition of DSCL.

CAEV

DSCL Disclosure Requirement for holders or beneficial owners to disclose their name, location and holdings of any issue to the issuer.

But no other code exist in the current ISO 15022 standard for this procedure so we agreed to use this code.

Several cases and possibilities exist:

1. Disclosure is always Mandatory for all nominees in the custodian chain.

On a voluntary basis Beneficial owners may change or add any information to their profile (name, address, payment instructions) at the corresponding nominee.

2 Disclosure may be processed as a separate event (outside) and not linked to any other event or it may be linked to other events – strongly it is not «within» other events but only linked as it may precede other CA and these CA events may not be known at the moment of DSCL itself (general meeting, dividend or coupon payments, buy back etc).

One disclosure may be linked to two or even several events (meeting - dividend payment and buy back by the issuer).

But in this case disclosure is made only once before the first CA (meeting), and the same list of BO may be used for next CA - dividend payment and buy back.

So DSCL: may be announced before and precede linked future CA events.

3. Disclosure is always made by intermediaries (nominees) and/or the CSD.

The communication (request to disclose) is done through the custodian chain from the upper tier to the level after till the bottom (the end nominee). And list of beneficial owners is sent through the same chain to the upper level (CSD). CSD passes collected information to requestingparties (issuer/registrar, regulator, court etc) Or DSCL may be made by foreign nominee to the Russian custodian servicing his safekeeping account– this is different from Global description where disclosure is made to final requesting party.

In all cases disclosure is made by nominees, not by BO. BO do not need to take any action in disclosure procedure to interact directly with an issuer (ultimate BO is not involved in this procedure) BO may need to present information by the request of the nominee servicing its account.

4. for some events a trusty is considered as BO; for other, a trusty should disclose end owners (full breakdown).

When we studied the reasons for usage CA notification with DSCL as a separate event the main of them where:

1. CA Notification with DSCL code is sent upon receipt of a request from the issuer or his agent (registrar etc) only to nominee holders (in some cases to trustees as well) asking feedback as a formal request to present List of beneficial owners through the full custodian chain with market and CSD deadlines (the deadlines are different from CA's deadlines for which the disclosure is made). REGI – deadline to register is considered as deadline fixed by the issuer.
2. The date of disclosure is to be announced via a notification on main facts.
3. The scope of receivers of CA event Notification for events ln which disclosure may be  linked (for meeting, buy back etc. ) is different from the scope of receivers for DSCL Notification (being request from issuer or his agent to disclosure).

CA Notification for CA linked to DSCL is sent to all account owners (BO) informing about the upcoming CA event.

CA DSCL Notification is sent only to nominees and the link to the previous message may be indicated as we need to indicated the reason for collecting the List of BO (the scope of receivers is rather small – 5-10% of the full list of accounts holding underlying securities.

It is very convenient to have a special code DSCL – as this give the possibility to automatically process the request (to send request to the next level down and to initiate internal process to collect data of BO accounts serviced by the entity). To attract the attention of the receiver (however we agree that it is not pure CA, but it is part of the whole corporate event MEET or DVCA p.ex.).

1. The list of beneficial owners established at the date of disclosure (DSCL) may be used for several events (meeting, payment of dividends, buyback, priority right). But at the moment of announcement of MEET and DSCL the DVCA may not be announced, as at  the general meeting usually decision  on the rate of dividends (for shares) to  be paid is taken and DVCA is announced after the meeting.

It mean that for two events – general meeting (MEET or XMET)  and after the meeting payment of dividends (DVCA)   the same list and the same record date are used. As well BO who voted against some resolutions at the meeting have the right to sell their shares to the issuer and for the issuer it is mandatory to buy back shares from these BO.

1. If nominee does not give services for meeting participation and this is outsourced by another company for them under supplementary agreement he can ignore or do not receive CA Notification with MEET but at the same time this nominee must disclose their BO for this event, i.e must receive DSCL.
2. If DSCL is linked to several events (when DVCA or buy back following meeting voting) is announced, new disclosure is not required as the list of BO was established at the preceeding stage (before the  MEET). And usage of any indicator linked to disclosure will misslead the receivers of the CA Notification for corresponding CA event if any indicator will be used. We considered possibility to use for

CETI

FULL Full Beneficial Owner Break Down The holder of the security has to provide his beneficial owner details for disclosure/instruction purpose.

PABD (I)CSD participantbreakdown The (I)CSD has to provide its participants' details for disclosure purpose to the issuer/issuer's agent.

Taking this into consideration we created our NMPG recommendations on this subject and this concept was implemented by all market players. So for us it is better to distinguish these CA events and to have a common processing for DSCL procedure independent from the type of DSCL (outside or within another CA event).

We believe that your recommendation do not conform to our existing legislation and current practice and will lead to additional expenses for many institutions in our country.

At the same time we will keep in mind SMPG recommendation to do not use DSCL when it is done within other CA and will consider it if our legislation will be changed in the future.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ID** | **Ad-hoc request** | **Within an event or outside** | **Mandatory disclosure or voluntary** | **Linked to threshold** | **At CSD participant level or at BO level** | **Within an voluntary event (e.g. offer or meeting) or within a mandatory event** | **Example** | **Comment** | **SMPG Recommendation** | NMPG feedback What scenario is applicable in your market? |
|  | Yes  | Outside  | Mandatory  | N  | Up to final BO level  | N/A  | Russia (on a monthly, quarterly or yearly basis)  | Request is addressed to nominees only not to BO. BO do not need to take any action in disclosure procedure to interact directly with a requesting party or issuer (ultimate BO is not involved in this procedure). BO may need to present information by the request of the nominee servicing its account. Allowed by regulation but not necessarily systematic  | **MT 564 with CAEV DSCL and indicator FULL – each nominee has to provide BO details**  |  Disclosure  is made by the intermediaries and/or the CSD, and CSD passes information to requestingparties (issuer/registrar, regulator, court etc) – this is different from Global description where disclosure is made to final requesting party  |
|    | Yes  | Within  | Mandatory including Mandatory to get appropriate tax rate (maximum rate applied if no disclosure) or to participate in the event  | N  | Up to final BO level *for some event a trusty is is considered as BO; for other, a trusty should disclose end-owners*  | Main event may be mandatory or voluntary  | Typical for meetings, bondholder meetings, income payments. etc  | Request is addressed to nominees only not to BO. BO do not need to take any action in disclosure procedure to interact directly with a requesting party or issuer (ultimate BO is not involved in this procedure). BO may need to present information by the request of the nominee servicing its account. Allowed by regulation but not necessarily systematic  | **MT 564 with CAEV DSCL and indicator FULL – each nominee has to provide BO details** **DSCL CA Reference is to be mentioned in MT564 for the linked event**  |  Disclosure  is made by intermediaries and/or the CSD, and CSD passes information to requestingparties (issuer/registrar, regulator, court etc) – this is different from Global description where disclosure is made to final requesting party (regulator, issuer/registrar)/ Or DSCL may be made by foreign nominee to the Russian custodian servicing his safekeeping account. Several events may be linked to the same DSCL  |
|    | Yes  | Within  | Mandatory  | N  | Up to final BO level | Main event is voluntary for BO  | Typical for BIDS, TEND, PRIO  | Request is addressed to nominees only not to BO. BO do not need to take any action in disclosure procedure to interact directly with a requesting party or issuer (ultimate BO is not involved in this procedure). BO may need to present information by the request of the nominee servicing its account. Allowed by regulation but not necessarily systematic  | **MT 564 with CAEV DSCL and indicator FULL – each nominee has to provide BO details** **DSCL CA Reference is to be mentioned in MT564 for the linked event**  |  Disclosure  is made by intermediaries and/or the CSD, and CSD passes information to requestingparties (issuer/registrar, regulator, court etc) – this is different from Global description where disclosure is made to final requesting party (regulator, issuer/registrar) Several events may be linked to the same DSCL |

Please find also our previous explanations and some additional information on DSCL corporate events in Russia.

We have a multi-tier safekeeping.

In Russia we have corporate events for which we establish for the issuer a List of beneficial ownership (LSE)  and we prepare full disclosure (breakdown) of beneficial owners.

This is done usually by an entity which is responsible for maintaining full registry of owners (Registrar). But we do not have a special procedure of re-registration from street names before corporate action similar to one used in other countries.

We have a special procedure of establishing LSE – List of beneficial owners (for equities additionally bank details for dividend payments are collected for each owner).

As we mentionned in EIG disclosure is mandatory (for corporate actions like meeting or dividend payments).

For example, we collect full information of beneficial owners for general meeting (equities) and for dividend payments (equities) and it is mandatory to disclose the information about final owner s as dividends are paid by Issuer according the data given in the List of beneficial owners. This list may be used to verify presence at the meeting.

We have a multi tier custodian system.

The chain of participants is as follow:

Issuer – Registrar – Nominee 1 level – Nominees 2nd level etc

Registrar is present for shares only, for bonds – in most cases it is CSD (where the global certificate is kept).

The full list is established by Registrar (for shares) or by CSD (for bonds).

Nominees of one level sends their official requests to Nominees of the down level and they in turn send their  requests to Nominees of the next down level.

Each nominee may disclose (without additional requests) all beneficial owners having owners accounts in the books of that Nominee but it need to receive the disclosure information for nominees accounts opened in his books. That is why this Nominee sends request to all Nominees of the level after having nominee accounts in his books.

And list of beneficial owners is returned to the next party up in the chain (NOT DIRECTLY TO THE ISSUER or REGISTRAR). The balances in the list must be equal to the balances in the corresponding nominee account.

It mean that Issuer or Registrar do not address their requests directly to all nominees but only to  Nominees of the 1st level (highest one) having nominee accounts at the Registrar or to CSD. If CSD account is opened at the Registrar for underlying security the request is sent only to the CSD as opening of nominee accounts to other custodians is permitted only at CSD (not at the Registrar).

According current legislation the full list of beneficial owners is to be collected in 5 working days from the date of the request of the Issuer to the Registrar .

This differs from the document which we received from Matthieu de Heering  (prepared by  T2STaskforce Shareholders Transparency) – in Russia Issuer or Issuer Agent do not address their request to the next levels themselves but it is transmitted via chain of Nominees until the last level of nominees. The number of levels is not restricted by laws. It may be 2, 3, 5 etc.