

A financial mega-regulator in Russia

On July 23, 2013 Federal Law No. 251-FZ "On Amendments to Certain Legislative Acts of the Russian Federation connected with Transfer of Authorities to Exercise Regulation, Control and Supervision of Financial Markets to the Central Bank of the Russian Federation" (hereinafter – the "Law") was published at www.pravo.gov.ru, an "Official Legal Information Web Portal".

The Law was signed by the President of Russia on July 23, 2013. The majority of its provisions shall come into effect on September 1, 2013.

The Law intends to establish a mega-regulator, based on the Central Bank of Russia (hereinafter – the "CBR"), to perform both regulatory and supervisory functions in relation to financial markets. For these purposes all functions and authorities of the FFMS and certain regulatory powers of Russian Ministry of Finance and Russian Government shall be transferred to the CBR.

New functions for the CBR

After the Law comes into effect control over non-credit institutions, including investment and pension funds, insurance, clearing, micro-finance institutions, rating agencies, stock exchanges and other securities market members will be carried out by the CBR.

New functions of the CBR will also

include supervision over issuer compliance with legislative requirements on joint-stock companies and securities; regulation related to corporate relationships in joint-stock companies, securities issue registration and other related functions that earlier were performed by the FFMS.

The CBR shall be granted powers to exercise regulation of financial markets, including in relation to the activities of non-state pension funds, investment of pension savings, mandatory insurances. The CBR shall also be responsible for control over compliance with the law on insider dealing and market manipulation.

In addition, the CBR will monitor Russian financial market conditions, provide (every three years) the State Duma with draft key areas for development and steady operation of the financial market.

After the Law comes into effect, reports, data, notifications, other information and documents that are subject to submission to or approval by the FFMS shall be submitted to the CBR. The FFMS will be actually included into the CBR and will get a status of a division of the CBR.

Other changes in activities of the CBR

Since the CBR will perform more functions, the number of CBR board of directors members is going to in-

crease from 13 to 15. The term of powers vested in the chairman and the board of directors members is also going to increase from 4 to 5 years.

The name of the National Banking Council under the Bank of Russia has been changed to the National Financial Council. For the purposes of these new functions, a CBR financial supervisory committee will be created.

The Law shall cancel a limitation on a time period for refinancing by the CBR against securities and other asset collateral. At the moment, the CBR can finance banks against pledge of securities or other assets or without any pledge for a term not exceeding one year.

A transitional period

Until regulations subject to approval by the CBR under the Law come into effect, the current regulations of the FFMS, The Ministry of Finance and Russian Government shall apply.

Licences, permits, certificates, accreditations, statuses, issued or assigned by the former regulators (including the FFMS, the Commodity Exchange Commission, the Federal Insurance Supervision Service), shall remain in force and effect until their expiration date. If such instruments were issued for an unlimited term, their validity period shall be unlimited, too.



This legal update is prepared by Liniya Prava's team. Our lawyers will be glad to discuss other interesting issues within our special legislative update. You can refer your queries and suggestions for improvement of our work to Liniya Prava's partner **Andrey Novakovskiy**.

Andrey.Novakovskiy@lp.ru

For more details on our services please visit www.lp.ru.

Law Firm Liniya Prava provides special alerts to its clients and friends, as well as to any other persons who agreed to receive our updates. It would be much appreciated if you could recommend our legal updates to your colleagues and friends interested in getting these materials free of charge. To include new recipients into the mailing list you can just email us at pr@lp.ru indicating full name, email address, company, job title and contacts of a person interested in receiving our legislative updates. You can also visit <http://www.lp.ru/analytics/alerts/> for full texts of our weekly updates.