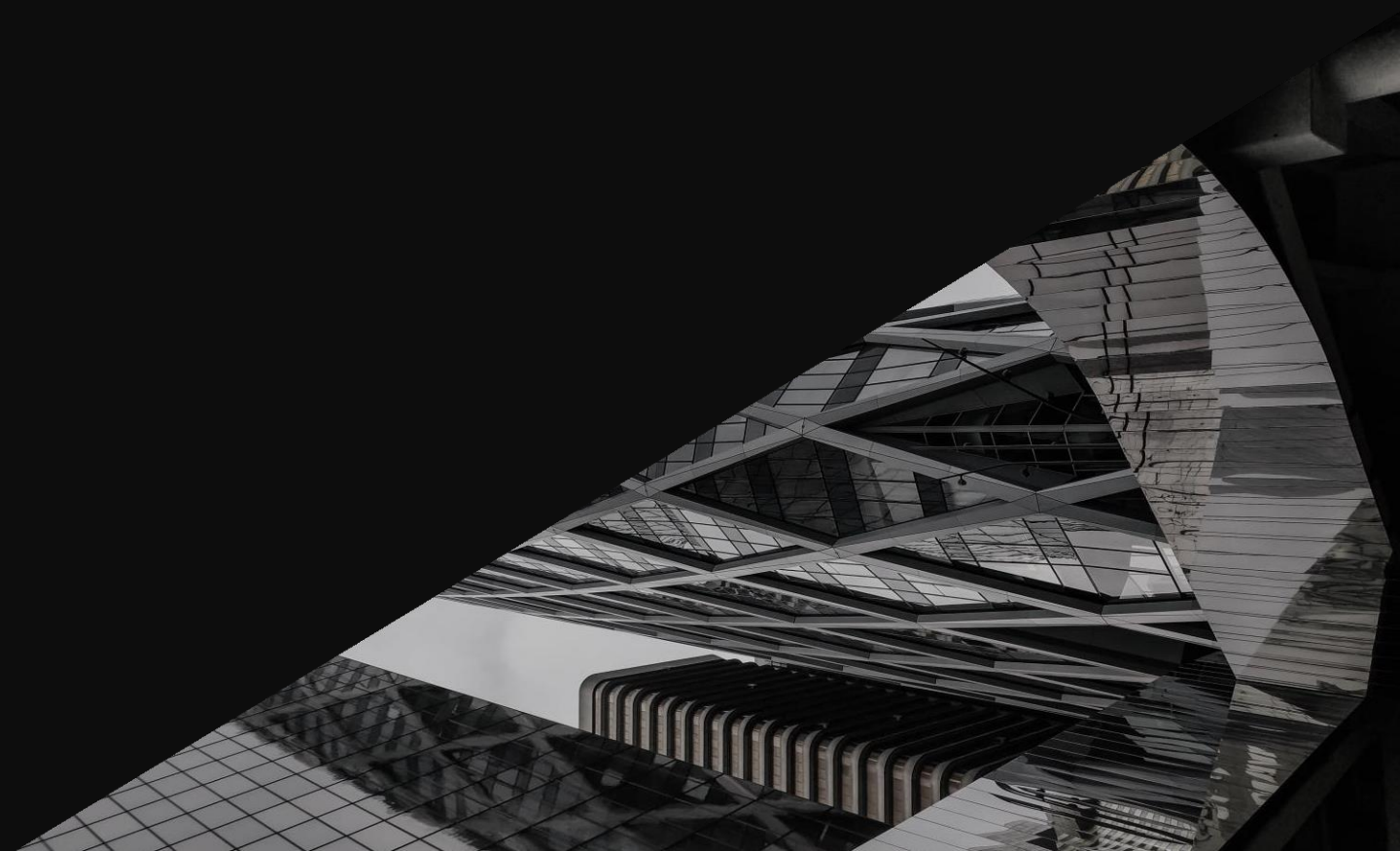


VERBA / LEGAL

Replacement of Sovereign Russian Eurobonds

Relevant as of 12.08.2024



Replacement of Sovereign Russian Eurobonds

On 8 August 2024, the President of the Russian Federation signed Decree No 677 ('**Decree**') to set forth the procedure for replacing government securities of the Russian Federation with the par value indicated in foreign currency ('**Russian Eurobonds**').

Placement of Replacement Bonds

Replacement bonds ('**Replacement Bonds**') will be issued to replace Russian Eurobonds.

The Government of the Russian Federation and the Ministry of Finance of Russia authorised by it were empowered to issue Replacement Bonds to replace/ substitute circulating Russian Eurobonds in August 2023. [1] In accordance with the amendments to the Budget Code, and provisions of the Decree, the replacement shall be carried out on the following terms and conditions:

- Replacement Bonds are issued in agreement with the holders of Russian Eurobonds;
- the income amount and payment term, maturity and par value of the Replacement Bonds correspond to those of Russian Eurobonds to be replaced;
- Replacement Bonds can be issued and transferred by the issuer by (1) transferring the replaced Russian Eurobonds to the issuer or (2) assigning rights to the Russian Eurobonds.

1. Federal Law No 416-FZ of 4 August 2023 "On Amendments to the Budget Code of the Russian Federation and Certain Legislative Acts of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation".

The NSD will provide collective safe custody of Replacement Bonds.

Procedure for Receiving Replacement Bonds

Russian Eurobonds shall be exchanged for Replacement Bonds only upon expressed will of the holders of Russian Eurobonds ('**Holders**'), which include:

- holders of Russian Eurobonds;
- persons exercising rights to Russian Eurobonds.

The Decree provides for two (2) ways for Holders to receive Replacement Bonds:

1. Delivery of Russian Eurobonds

Russian Eurobonds shall be generally replaced as follows:

- Holders shall transfer Russian Eurobonds to the Russian Ministry of Finance;
- the Russian Ministry of Finance shall transfer the received Russian Eurobonds to its account with the NSD;
- the Russian Ministry of Finance shall transfer Replacement Bonds to the Holders' securities accounts opened with Russian depositories.

2. Assignment of Rights to Russian Eurobonds

If Russian Eurobonds cannot be replaced as described above due to sanctions restrictions, Russian Eurobonds shall be replaced as follows:

- Holders shall transfer all rights to Russian Eurobonds to the Russian Ministry of Finance; [2]
- Holders shall provide the NSD with documents to prove ownership of Russian Eurobonds; [3]
- the Russian Ministry of Finance shall transfer Replacement Bonds to the Holders' securities accounts opened with Russian depositories.

2. The NSD maintains a register of such Russian Eurobonds assigned to the Russian Ministry of Finance.

3. The list of such documents will be determined by the Russian Ministry of Finance in agreement with the Bank of Russia.

A detailed procedure for replacing Russian Eurobonds will be established later by decisions of the Board of Directors of the Bank of Russia in agreement with the Russian Ministry of Finance.

However, the Decree states that no special permits ('Permits') are required to replace Russian Eurobonds, including:

- permit from the Government Commission on Monitoring Foreign Investment in the Russian Federation ('Government Commission') as provided for by Decree of the President of the Russian Federation No 81 dated 1 March 2022;
- permit from the Bank of Russia (for financial institutions) or the Government Commission (for other applicants) as provided for by Decree of the President of the Russian Federation No 138 dated 3 March 2023.

Receiving Payments on Replacement Bonds

The obligations under Replacement Bonds will be fulfilled without the use of C-type accounts.

Separate Accounting of Replacement Bonds

If Russian Eurobonds to be replaced are acquired after 8 August 2024 from persons of 'unfriendly' countries, Replacement Bonds will be accounted separately.

Maintaining separate accounting means that transactions with Replacement Bonds entailing transfer of ownership, transfer to trust management or pledge will be carried out under special permits issued by:

- the Bank of Russia – to applicants that are credit and non-credit financial institutions;
- the Government Commission – to other applicants.

However, the Decree contains an exception: separate accounting will not take place if:

- Permit has been obtained to carry out transactions with Russian Eurobonds to be replaced; **OR**
- Russian Eurobonds to be replaced were acquired:
 - ✓ during on-exchange trading; **OR**
 - ✓ from a Holder who (1) is not a person of an 'unfriendly' country and (2) whose rights to Russian Eurobonds to be replaced were in safe custody with a Russian depository.

Register of Holders

The NSD shall form a register of Holders of Russian Eurobonds ('**Register**') free of charge.

The procedure for forming the Register will be established by the Russian Ministry of Finance in agreement with the Bank of Russia.

The NSD shall include a Holder in the Register based on:

- the Holder's expressed will, which entails the blocking of Russian Eurobonds in the Holder's securities account; **OR**
- supporting documents submitted to the NSD. The NSD shall verify such supporting documents and, if there are reasonable doubts that the documents are complete and/or reliable, shall not include the Holder in the Register.

Receiving Payments on Russian Eurobonds not Exchanged for Replacement Bonds

The obligations on Russian Eurobonds that were not exchanged for Replacement Bonds will be further fulfilled as set forth by Decree of the President of the Russian Federation No 665 dated 9 September 2023.

However, the procedure for receiving payments shall depend on whether there are any Russian depositories in the ownership chain of Russian Eurobonds:

1. Russian Eurobonds Accounted in NSD or Russian Depository

If Russian Eurobonds are accounted in the NSD [4] or in a Russian depository, which has an account for Russian Eurobonds with a foreign depository, then Holders shall automatically receive payments in roubles via so-called 'cascade payments'.

2. Russian Eurobonds Accounted in Foreign Depository without Participation of Russian Depository

If Russian Eurobonds are accounted in a foreign depository without participation of a Russian depository, in order to receive payment, the Holder's ownership of Russian Eurobonds shall be proved.

To do this, the Holder shall submit to the NSD an application and documents to prove his/her ownership of Russian Eurobonds. The currency and payment procedure will depend on when the documents are submitted:

- if the application is submitted within sixty (60) days following the date of the next payment, payments shall be made in Russia in roubles;
- if the application is submitted after sixty (60) days following the date of the next payment, payments shall be made in foreign currency from funds in the NSD accounts in the foreign depository. Note that a foreign licence may be required to receive funds.

4. The NSD is the paying agent for payments on Russian Eurobonds.



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