

global UPDATE

Russia

There is a strong indication that operating a share plan in Russia may soon become much more certain and easier to do, as the Head of the FFMS has made statements indicating that employee share plans should be exempted from securities requirements. This has of course caused great excitement but we have to counsel caution until the statements become law. Alrud, our partner law firm in Russia, gives an update:

The Head of the FFMS did make statements, saying that the FFMS did not consider that the Federal Law “On securities” should apply to employee share plans based on foreign shares. These statements may be treated as just an expression of the opinion of an official (though of high level) about the law and may even be regarded as an intention to do something to change the law.

It is widely admitted by the legal and financial community that the wording of the Law as it the law, although we understand that in the near future the FFMS intend to publish official clarifications on this subject and then it may be possible to rely upon them. Until the law is changed, we must advise clients not to change their practices.

In the meantime Alrud has lodged a query on the personal blog of Mr. Milovidov (which will hopefully give us clarification of his views but not an official reply), and we have made a formal written inquiry to the FFMS. In addition, companies operating employee share plans may also address the FFMS for private written clarifications on the subject on a named or no-name basis. The FFMS is obliged to provide replies to inquiries on questions within its competence within 30 days (a statutory term). However, in practice, FFMS often does not comply with this term and it could take longer to get a response.