

## COVID-19: RELAXATION OF LEGAL REQUIREMENTS TO CORPORATE PROCEDURES AND SHARE BUY-BACKS IN RUSSIA

The numerous restrictions imposed in connection with the coronavirus pandemic and the worsening economic situation have necessitated urgent changes to the legislation in various areas. Along with changes to the [tax legislation](#) and the [insolvency legislation](#), important changes have been made to the corporate legislation. In particular, the regulations governing the holding of general meetings, the submission and disclosure of financial statements, share buy-backs, and a number of other corporate procedures have been relaxed.

### CONVENTION OF GENERAL MEETINGS AND REPORTING IN 2020

In connection with the enactment of Federal Law No. 50-FZ<sup>1</sup> of 18 March 2020 and adoption of draft law No. 771509-7<sup>2</sup> (the "Law"), the following amendments are being made to Russia's corporate legislation:

- the annual general meeting of shareholders (or participants) is to be held by 30 September 2020 at the latest, whereas generally the annual general shareholders' meetings had to be held by 30 June and regular general participants' meetings had to be held by 30 April of the year following the reporting year;
- in 2020, general shareholders' meetings can be conducted in the form of absentee voting, even if their agenda include election of the board of directors, appointment of the internal audit committee, approval of the external auditors, or approval of the company's annual report or annual accounting (financial) statements;
- in 2020, the annual consolidated financial statements are to be provided to the shareholders (or participants), and also, in the cases established by law, to Central Bank of the Russian Federation, no later than 180 days (instead of the standard 120 days) after the end of the reporting year, and

#### Key Points

- The timing and form of general meetings, and the time frames for submission and disclosure of annual and interim financial statements in 2020 have been changed.
- PJSCs can buy back their shares through a simplified procedure up to the end of 2020.
- The requirement for companies to reduce their charter capital or liquidate if, based on their 2020 results, their net assets have fallen in value below their charter capital has been cancelled.
- The time frame for confirming PJSC status and arranging internal audit procedures has been extended to 1 January 2021.

<sup>1</sup> Federal Law No. 50-FZ On Acquisition by the Government of the Russian Federation of Ordinary Shares of Public Joint-Stock Company Sberbank of Russia from the Central Bank of the Russian Federation and Declaring Inoperative Certain Provisions of Legislative Acts of the Russian Federation, dated 18 March 2020.

<sup>2</sup> The bill has now been approved by both houses of the Russian Parliament and needs to be signed into law by the President and officially published as the Federal Law On Amendment of Certain Legislative Acts of the Russian Federation with Regard to Harmonisation of the Content of Annual Reports of State Corporations (Companies) and Public Companies and with Regard to Establishing Specifics of Regulation of Corporate Relations in 2020, and on Suspension of Provisions of Certain Legislative Acts of the Russian Federation.

interim consolidated financial statements — no later than 150 days (instead of the standard 60 days) after the end of the reporting period;

- the 2019 annual (including consolidated) financial statements and auditor's report are to be disclosed within 3 days after the date the auditor's report is prepared, but not later than 210 days after the end of 2019; the interim (including consolidated) financial statements for the first 6 months of 2020 are to be disclosed within 3 days after the date of the auditor's report or other document prepared on the basis of the review of those interim financial statements, but not later than 180 days after the end of the respective reporting period;
- the board of directors of the Central Bank of the Russian Federation has also been given the authority to extend the time frames for disclosure of issuers' reports, issuers' accounting (financial) statements, lists of affiliates, and other information required by law.

## **BUY-BACK OF SHARES IN 2020**

The Law introduces a simplified procedure for public joint-stock companies to buy back their own shares (other than for the purpose of cancelling them and reducing the charter capital), which will be available until the end of 2020. The simplified procedure can be used only if all of the following conditions are met:

- the shares are purchased on a stock exchange by a broker acting at the issuing company's instruction and based on orders addressed to all traders;
- the weighted average price of the acquired shares, determined for any three months starting from 1 March 2020, has decreased by 20% or more as compared to the weighted average price of the shares in Q4 2019 (meaning that real buy-back transactions cannot take place before June 2020);
- the main stock market index determined by the stock exchange for any three months starting from 1 March 2020 has decreased by 20% or more as compared to the value of that index for Q4 2019;
- the board of directors of the company has taken the decision to buy back its shares through the simplified procedure (the same decision may provide that the acquisition not be disclosed in the form of a statement of material fact).

Public joint-stock companies must notify the Central Bank of the Russian Federation of their intention to buy back their shares through the simplified procedure. Such acquisitions will continue to be subject to the following statutory restrictions:

- a company cannot buy back more than 10% of its outstanding shares;
- shares bought back by a company do not confer voting rights and no dividends accrue on them;
- shares bought back by a company are to be disposed of at a price not lower than their market value and not later than one year after they are bought back.

## **OTHER CHANGES**

In addition to those described above, the Law introduces the following changes to the corporate legislation:

- where the value of a company's net assets has fallen below its charter capital as of the end of 2020, this will not trigger the obligation to reduce its charter capital or liquidate the company; also, this information need not be included in a joint-stock company's annual report;
- for joint-stock companies whose charter and corporate name indicate they are public but whose securities are not traded on a stock exchange, the time frame to confirm their status as a public joint-stock company has been extended to 1 January 2021;
- similarly, the deadline for a public joint-stock company's board of directors to form the internal audit committee and approve the company's internal documents setting out the internal audit policy has been extended to 1 January 2021.

The authors of this briefing and your other contacts at Clifford Chance would be happy to discuss the potential impact of the changes outlined above on your business.

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