

## **Notice of risks associated with purchasing foreign securities**

This warning notice of risks has been developed to meet the requirement in clause 21.5, article 51<sup>1</sup> of Federal law No 39-FZ “On the Securities Market” (the “Law on the Securities Market”) for a Russian organiser of trading, that decided to admit foreign securities to trading, to publish a notice of the risks associated with purchasing foreign securities on its website (hereinafter referred to as “Notice”). The Notice aims to inform prospective investors of the risks and possible losses (damages) related to transactions with foreign securities.

This Notice does not cover all possible risks associated with transactions in foreign securities. Such transactions are exposed to general risks related to stock market operations and possess the characteristics presented below.

Investing in foreign securities may cause additional risks. Investors may lose all or part of their funds. They should carefully read a foreign issuer’s prospectus and annual reports (hereinafter the meaning of issuer includes an issuer of underlying securities / a foreign investment fund). All potential investors should analyse all risks related to such investments, including the risk factors described herein, before making an investment decision.

### **• Systemic risks**

In accordance with the Law on the Securities Market, investors, including unqualified investors, are able to acquire foreign securities admitted to public placement and/or public trading in Russia that were issued by:

- foreign organisations established in states of OECD members, FATF members or monitors, MONEYVAL members or Common Economic Space participants, and in states with the relevant authority of which the Bank of Russia has a signed cooperation agreement;
- states specified in the previous paragraph, their central banks, and administrative and territorial entities with independent legal capacity;
- foreign organisations with securities listed on a foreign exchange approved by the Bank of Russia; and
- international financial organisations approved by the Russian government.

The foreign securities are exposed to both systemic risks of the Russian stock market and systemic risks of the country in which they were issued and/or are traded. Systemic risks are not attached to specific financial market instruments, and cannot reasonably be mitigated and managed. The main factors affecting the level of systemic risk are: the political situation; features of or unfavourable changes to national legislation; macro- and microeconomic risks (national currency devaluation, banking crises, etc.); the presence and maturity of the financial system in an issuer’s state of incorporation and/or the state of incorporation of the foreign exchange on which the foreign securities are traded. Systemic risks include the risk of force majeure, especially natural and geopolitical.

The local and foreign currency ratings, awarded to an issuer’s country of incorporation by international rating agencies, are commonly used to make general integral estimation of the systemic risk of investing in foreign securities. However, such ratings are provided only for guidance purposes.

In reaching an investment decision the risks associated with any foreign depository receipts should be considered along with the risks related to the issuer of such receipts and the issuer of the securities represented by the receipts.

- **Legal risks**

When buying foreign securities, it should be noted that they are not always analogous to Russian securities. The rights and principles of their enforcement may differ substantially from those granted for Russian securities.

Varying regulation of insider information, corporate governance, disclosure, and taxation in foreign jurisdictions should be considered. Prospective investors should take into account the relevant requirements and/or consult their brokers before investing in securities issued or traded in a particular jurisdiction.

In accordance with the Law on the Securities Market, Russian depositories are entitled to retain ownership records for foreign securities. However, there is a risk of change to the regulatory approach to ownership and transactions, as well as to foreign securities ownership records, which may entail ownership transfer contrary to an investor's plans.

Legal recourse available for foreign securities may be significantly limited. Any rights relating to the performance of obligations under a trade made in Russia are protected in Russia, while rights attached to securities, such as the right to participate in corporate events, receive income, etc., may require application to foreign courts and law enforcement authorities in accordance with rules that may differ substantially from those applicable in Russia.

Investors should also consider that Russian law governing the admission and trading of foreign securities in Russia is relatively new, and it may contain omissions and contradictions; the law is frequently amended, which may affect the enforcement of rights relating foreign securities. Russian judges have limited experience in interpreting recently adopted legislation and in understanding the features of the organisation of foreign securities trading and of international practice.

- **Disclosure; corporate events**

In accordance with the Law on the Securities Market, information on foreign securities may be disclosed in English to the extent established by foreign law, and/or disclosed through links to pages on the Russian trading organiser's website on which information on the foreign issuer and its securities is published. Prospective investors should evaluate their availability to analyse data in English, to assess the differences between Russian financial reporting standards and international financial reporting standards or the financial reporting rules according to which the foreign issuer reports.

Moscow Exchange, issuers, issuers' agents, brokers, and/or other entities may translate some documents (information) published by foreign issuers for investors' convenience, and produce a prospectus summary in accordance with clause 21.6, article 51<sup>1</sup> of the Law on the Securities Market. In this case, the translated documents and prospectus summary should be treated as reference information to documents (information) disclosed officially, and should not be considered official documentation or official translations of an issuer/agent's documentation. Possible translation mistakes should be taken into account, including those resulting from differing translations of foreign words or phrases, or the absence of a commonly used Russian equivalent.

The risks associated with investing in a specific security may be described in issuance documentation; prospective investors should read it carefully before making transactions with that security.

Prospective investors should also carefully read laws and regulatory acts establishing content requirements for securities prospectuses and their registration with the relevant authorities of the countries of an issuer's incorporation and the foreign exchange on which the foreign securities are listed, as well as those establishing disclosure standards for public placements and/or trading in such securities within foreign jurisdictions (the procedure for disclosing information on the issuer, its financial position, the procedure for disclosing information on rights attached to the securities, etc.).

It should be taken into account that Russian depositories permitted to keep record of ownership of foreign securities are unable to represent or/and warrant to investors that they are allowed to participate in all of the foreign security issuer's corporate events due to the fact that such rights are subject to the legislative regulation of the country of incorporation of the issuer and/or the foreign exchange on which the securities trade, as well as the particular aspects of recording ownership by the International Central Securities Depositories (ICSD).

**• Additional risks related to the admission of foreign securities to exchange trading without an agreement executed with the issuer**

In accordance with clause 4.1 of Article 51<sup>1</sup> of the Law on the Securities Market, in certain cases, Moscow Exchange is entitled to admit foreign securities to public trading in Russia without a contract with the issuer. In this case, the issuer is not obliged to disclose information in Russia on its activities and securities admitted to trading on Moscow Exchange. According to Russian legislation, such an issuer is not subject to insider information requirements and is not liable for losses incurred by investors due to inaccurate, incomplete, and/or misleading information contained in the issue prospectus.

If a foreign security has been admitted to exchange trading without contract, Moscow Exchange is obliged to provide constant access to information on the foreign issuer and its securities that is published by the foreign exchange on which the securities are listed, in accordance with the exchange's governing law. To this end, Moscow Exchange may publish links on its website to internet pages on which information on a foreign issuer and its securities is published. Moscow Exchange cannot guarantee the operability of foreign companies' websites on which information on a foreign issuer and its securities is published, the structural consistency of such websites, nor the constancy of the address.

If Moscow Exchange admitted a foreign security to public trading in Russia, the exchange must exclude such security from the list of securities admitted to trading if it is delisted from any of the foreign stock exchanges on the list approved by the Bank of Russia, or if any of said stock exchanges are removed from the list. Section 5 of the Moscow Exchange Listing Rules, published on Moscow Exchange's website, provides other reasons for Moscow Exchange to be obliged or entitled to exclude a foreign security from the list of securities admitted to trading.

If a foreign security is not admitted to public placement and/or public trading in Russia, and if a foreign financial instrument does not qualify as a security, said instruments are eligible to be acquired only by qualified investors. Qualified investors are recognised in accordance with article 51<sup>2</sup> of Federal law No 39-FZ On the Securities Market dated 22 April 1996 and with financial market regulatory acts.

The risks listed hereto are not exhaustive. However, this Notice contains the main risks of which a prospective investor should be aware when making transactions in foreign securities included on the list of securities admitted to trading on Moscow Exchange.

This notice is not intended to dissuade prospective investors from performing operations in foreign securities included on the list of securities admitted to trading on Moscow Exchange. It is intended to aid investors in evaluating the risks associated with investing in said foreign securities and to make a balanced investment decision.

In this respect, we recommend to give careful consideration to whether the risks associated with transactions in foreign securities admitted to trading on Moscow Exchange are acceptable considering an investor's investment objective and financial capability.