

**SUMMARY OF PROCEEDINGS FROM THE TECHNICAL SEMINAR OF 30
MARCH 2012, MOSCOW**

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The purpose of this report is to present background information to participants of the OECD Russia Corporate Governance Roundtable organized for October 25 and 26 2012 in Moscow, Russian Federation. It presents the results of the Technical Seminar held in Moscow on 30 March 2012 in the framework of the OECD Russia Corporate Governance Roundtable and addressed three topics related to corporate governance and listing requirements. The first topic was devoted to the role of the stock exchange in setting corporate governance standards. Disclosure and transparency of listed companies was the second topic of the seminar and the third and final session was devoted to enforcement of insider trading and market manipulation laws. These issues will be discussed at the break-out sessions of the 2012 Roundtable meeting and will be the subject of recommendations to be adopted by the Roundtable plenary.

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TABLE OF CONTENTS

1. Executive summary	3
2. Opening remarks: Roman Goryunov, First Deputy CEO, MICEX-RTS	3
3. First Panel: The role of the stock exchange in setting corporate governance standards.....	4
3.1. Participants	4
3.2. Description of the topic and issues for debate	4
3.3. Background materials and presentations	4
3.4. Summary of the discussions	5
3.5. Conclusions	6
4. Second Panel: Disclosure and transparency	7
4.1. Participants	7
4.2. Description of the topic and issues for debate	7
4.3. Background materials and presentations	8
4.4. Summary of the discussions	8
4.5. Conclusions	9
5. Third Panel: Enforcement of insider trading and market manipulation laws	10
5.1. Participants	10
5.2. Description of the topic and issues for debate	10
5.3. Background materials	11
5.4. Summary of the discussions	11
5.5. Conclusions	12
6. Closing remarks: Sergei Shvetsov, Deputy Chairman, Bank of Russia	13
7. Speakers' Bio.....	14

For more information and all meeting documentation, please, visit
<http://www.oecd.org/daf/corporateaffairs/corporategovernanceinrussia.htm>

1. Executive summary

1. A technical seminar held in Moscow on 30 March 2012 has become the starting point of the 2012-2014 programme of the OECD Russia Corporate Governance Roundtable. The seminar was co-organized by the OECD and the Moscow Exchange and addressed three topics related to corporate governance and listed companies.

2. The first topic was devoted to the role of the stock exchange in setting corporate governance standards. High level foreign and Russian speakers discussed the international context and presented cases and experiences from exchanges around the world. Subsequently, several authorities and experts from the private sector, acting as commentators, discussed good practices in the area of corporate governance requirements included in listing requirements and identified gaps between international and Russian practices, focusing on foreign experiences that could be considered for future reform in Russia.

3. Disclosure and transparency of listed companies was the second topic of the seminar. Again, foreign and Russian speakers made interesting presentations addressing the practices in some of the leading exchanges, offered a comparison between Russia and other markets and addressed the issue of beneficial ownership. Then, authorities and experts from issuers and consultant firms addressed the Russian practices in view of the international benchmark on disclosure of corporate governance arrangements, debating the format and periodicity of disclosure, as well as ways to achieve harmonization of disclosure requirements between the Russian and international best practice, among others.

4. The third and final session was devoted to enforcement of insider trading and market manipulation laws. Here, foreign speakers shared the enforcement experiences of countries around the world and the particular case of the Polish securities market regulator. This was followed by a lively debate where authorities and experts shared their initial views of the functioning of the recently adopted Russian laws and regulations, as well as the challenges for compliance and enforcement so far. They also analysed possible amendments they would suggest in order to streamline the procedures and facilitate the implementation of the rules.

5. The meeting was attended by over 100 participants. Most of them represented issuers listed at MICEX-RTS, but also included senior officials from the Ministry of Economic Development, the Ministry of Finance, the Federal Financial Market Service, among others, as well as representatives from banks, investors, consultant firms and academia. Speakers included experts and practitioners from Germany, the Netherlands, Poland and the United States. Roman Goryunov, First Deputy CEO of MICEX-RTS, opened the seminar and Sergey Shvetsov, Deputy Chairman of the Bank of Russia, closed the meeting. Overall, participants agreed that the seminar has built up a solid ground for the forthcoming key event – the 2012 Roundtable scheduled for 25-26 October.

2. Opening remarks: Roman Goryunov, First Deputy CEO, MICEX-RTS

6. Mr. Goryunov opened the seminar describing how the main goal of the OECD-Russia Corporate Governance Roundtable was to improve the corporate governance rules and practices in Russia. He outlined that the work programme of the Roundtable had the support of the Russian authorities, including the Ministry of Economic Development, the Moscow International Financial Centre Taskforce, the Central Bank, the Federal Financial Markets Service, and many others. According to Mr. Goryunov, the biggest challenge in Russia is not necessarily the legislation, but the implementation and enforcement for the rules. He shared his expectation that the outcomes of the seminar and of future Roundtable events would contribute to tackling these weaknesses. He also mentioned that between 1999 and 2008 the OECD had already shared its expertise on corporate governance in the context of similar Roundtables that helped Russia to raise awareness and support reform in some key corporate governance areas. Mr. Goryunov finally outlined the relevance and importance of the three topics selected for the seminar and wished participants a productive day.

3. First Panel: The role of the stock exchange in setting corporate governance standards

3.1. Participants

Speakers:

- Alissa Amico, Policy Analyst, OECD
- Oleg Shvyrkov, Director, Corporate Governance, Deloitte Russia
- Thomas Krantz, Secretary General, World Federation of Exchanges

Commentators:

- Elena Kuritsina, Federal Financial Markets Service
- Oksana Derisheva, MICEX-RTS
- Rostislav Kokorev, Ministry of Economic Development
- Pavel Nezhtutin, Rostelecom
- Mike Lubrano, Cartica Capital
- Alexander Branis, Prosperity Capital Management
- Igor Belikov, Russian Institute of Directors

Moderator: Héctor Lehuedé, OECD

3.2. Description of the topic and issues for debate

7. Historically, stock exchanges have exercised important regulatory powers. Notably, exchanges have been endowed with the responsibility to set listing and maintenance standards and have exercised enforcement powers vis-à-vis these standards. A number of exchanges worldwide have developed compartments or tiers which allow them to create custom regimes for companies of a certain size or sector. Stock market indices have also appeared that aim to identify better governed companies.

8. In Russia, as now MICEX and RTS have merged, an opportunity has been created to revise the role of the exchange in setting corporate governance standards. The FFMS and MICEX-RTS are discussing the options already and a debate could raise relevant issues for this dialog.

9. Issues for debate: What is the best practice in terms of corporate governance requirements included in listing requirements? Where are the main differences between the best practice and the current Russian listing requirements? What is the added value of creating differentiated listing requirements for listing segments? What is the evaluation of the Russian experience? Who bears the liability to monitor compliance and enforce the corporate governance listing requirements in the leading stock exchanges? What is the case in Russia? What sanctions can stock exchange levy on non-compliant issuers? Is the approval of the securities regulator required before the exchange can delist a company or levy sanctions? What is the current Russian situation?

3.3. Background materials and presentations

- Background paper prepared for the panel by Oleg Shvyrkov, Deloitte CIS ([English](#)) ([Russian](#)).
- Alissa Amico and Hans Christiansen, [The Role of Stock Exchanges in Corporate Governance](#), 2009, OECD.
- Oleg Shvyrkov, Ph.D, Director for Corporate Governance, Deloitte CIS, presentation: [The Role of Stock Exchanges in Setting and Enforcing Corporate Governance Standards](#).

3.4. Summary of the discussions

10. The merger of MICEX and RTS creates an opportunity to revise the role of the stock exchange in Russia. It could increase its regulatory functions and embrace a wider palette of corporate governance concerns. MICEX-RTS is taking lead in developing good corporate governance practices and increasingly playing a bigger role in promoting and encouraging their adoption by listed companies.

11. A mechanism separating exchange's profit-making and regulatory functions should be considered, in line with international experience, in order to avoid a conflict of interests and respect the system of checks and balances. Experiences of other exchanges (NYSE, OMX Nordic Exchanges) suggest establishing a separate structure (not necessarily an independent legal entity) responsible for monitoring issues related to self-listing and market surveillance.

12. Once the new listing requirements are defined, there is the need to decide how to monitor them. There are two main approaches: "comply or explain", also called the "soft law" approach (and used in the UK, Germany, Italy and Turkey, for example) and the opt-in approach (used in Brazil). The "comply or explain" approach implies that issuers should be given flexibility to adhere to the spirit of the listing requirement, rather than to its specific recommendations, but be expected to explain any deviations convincingly. Opt-in listing systems allow issuers to voluntarily choose a listing level that presents a particular scope of governance requirements and then are forced to follow them in order to remain listed.

13. When debating on which of the two approaches to corporate governance should be applied in Russia, participants have agreed that Russian companies are rather accustomed to "hard" regulations and therefore less susceptible to "soft rules" in the spirit of the "comply or explain" approach. Therefore many of the participants supported the idea that it would be sensible to continue with a "hard law" approach in Russia. However, a number of participants supported the idea that some elements of "soft" regulation could be introduced to the Russian framework and MICEX-RTS could play a leading role in establishing soft law requirements, which would be additional to the hard law promoted by FFMS. Such hybrid regulation regime could be beneficial in providing a smooth but consistent progress in establishing good practices in Russia.

14. Simplicity and a step by step approach were praised as a key element of any plans for developing listing rules, disclosure or similar requirements. Good experiences from around the world suggest focusing on the most relevant and attainable governance traits first, rather than embracing long list of issues and best governance practices, which will be much harder to comply with and monitor, at least at initial stages. Once the market has assimilated the first set of rules, a more detailed may follow.

15. Another crucial point mentioned as important to properly shape the regulatory framework in Russia is providing opportunities for dialogue. Effective communication between the government authorities, the stock exchange and the investors would lead to evidence based decisions. It was suggested that such an outcome would require an open exchange of opinions, ideas and information. The ongoing project aiming to turn Moscow into a leading international financial centre (MIFC) was identified as a timely and appropriate platform for such a dialogue between market participants. Many participants agreed that a certain level of deregulation is needed and that more consistency with international standards would be welcomed.

16. Special interest attracted the issue of possible delisting of a company, and the consequences it could have for minority shareholders. A number of participants highlighted that delisting requirements should be linked to an obligation to offer to buy the shares of minorities, and debated about who should bear this obligation, if the company itself or the controlling shareholders.

17. Together with delisting and downgrading companies from one listing tier to another, a number of other issues were discussed as challenges for the merged MICEX-RTS, including the proper manner to

deal with shareholders agreements, independent evaluations by issuers, treasury shares, and the responsibilities of the board, among other issues.

18. Branding and marketing are also important elements for a stock exchange in promoting its role, and participants agreed that good governance and a better business environment for investors would certainly improve the attractiveness of the Russian equity market.

3.5. Conclusions

19. *MICEX-RTS should continue increasing its efforts to promote and monitor better corporate governance practices in Russia.* Participants agreed that after the merger between MICEX and RTS, the exchange is in an excellent position to lead in promoting and monitoring corporate governance practices in Russia's listed sector. They encouraged the exchange to use all available tools, particularly the use of listing segments with stronger corporate governance requirements, to continuously foster and recognise best practices among listed companies.

20. *Regulations should be introduced gradually, aiming first to cover the essential issues, and be as simple as possible.* When developing listing rules, disclosure or similar requirements for issuers, participants agreed that it would be sensible to take a step-by-step approach, starting with the more simple and attainable key elements, rather than embracing at once broad and complex issues. This approach, complemented with education, training and active monitoring, could bring more coherence and consistency into the adoption processes.

21. *"Soft law" measures would be, if properly applied, beneficial to complement key "hard law" rules defining the corporate governance framework of listed companies in Russia.* Participants agreed that for Russia the "hard law" approach is the traditional way of inducing behaviour, but that the framework could greatly benefit from some elements of "soft" regulation. They agreed that both "comply or explain" and "opt in" regimes would be beneficial for Russia when used to add to the essential rights and obligations, which should be set in "hard law". The "comply or explain" enshrined in the Corporate Governance Code is welcomed, even though participants agreed that its scope is too limited and the explanatory power of company reports is not always optimal. The "opt in" approach is also deemed useful, particularly for higher listing segments, provided that strong monitoring is in place to ensure compliance.

22. *To facilitate its leadership in corporate governance, best practices suggest that profit-making and regulatory functions of the exchange should remain separated and conflicts of interest should be avoided.* Best practices suggest that separating the profit-making areas of the exchange from the structures responsible for monitoring issues related to listing requirements and market surveillance promotes better results with less bias and more independence. In some countries this is done by having separate legal structures and complete independence, while in others it is only departmental separation. In Russia, according to current FFMS regulations, the department of the exchange that performs monitoring functions must be the separated, structurally, from the rest of exchange but within the same legal entity.

23. *Decision making in setting corporate governance requirements would benefit from inclusive dialogue and consultations with market participants.* The regulatory framework can best accommodate the needs of the market participants if their opinions are taken into account in finding the appropriate responses, incentives and disincentives. The experience of the MIFC project is regarded as a good example of such process.

4. Second Panel: Disclosure and transparency

4.1. Participants

Speakers:

- Barbara Georg, Head of Listing, Deutsche Börse AG
- Erik P. M. Vermeulen, Professor of Law, Tilburg University
- Vladimir Gerasimov, Executive Director, Interfax Group

Commentators:

- Svetlana Chuchaeva, INTER RAO UES
- Ekaterina Nikitchanova, Russian Institute of Directors
- Andrey Zhemchugov, TransContainer
- Alexander Chmel, PwC
- Dmitriy Glazounov, Liniya Prava
- Alexander Ikonnikov, Independent Directors Association
- Pavel Philimoshin, Federal Financial Markets Service
- Rostislav Kokorev, Ministry of Economic Development

Moderator: Vladimir Gusakov, MICEX-RTS

4.2. Description of the topic and issues for debate

24. Worldwide, stock exchanges have played a key role in ensuring transparent and orderly markets. They have ensured timely and transparent execution of trades and monitored disclosures by listed companies. But ensuring that investors are provided with adequate information begins with reviewing the initial public offering documents and continues thereafter. All exchanges have ongoing reporting requirements, which typically include quarterly and/or annual financial reports and reporting on material events.

25. Currently, the listing requirements in Russia establish the obligation of the issuers to submit information on their compliance with corporate governance requirements on a quarterly basis. At the same time, the FFMS regulation on information disclosure stipulates the obligation of the issuer to include information on its annual report about its adherence to recommendations of the Corporate Governance Code of 2002.

26. Nevertheless, in practice, there is often a formalistic approach to the fulfilment of these obligations and the information disclosed does not give potential investors and other concerned parties a clear picture of the company's corporate governance arrangements and practices. Opaque beneficial ownership information is one of the controversial aspects in the Russian landscape that has effects on a large number of related issues.

27. Issues for debate: What is the international benchmark on disclosure of corporate governance arrangements? What is the format and periodicity of disclosure of this information under best practices? How to achieve harmonization of disclosure requirements between the Russian and international best practice (for domestic and foreign issuers)? Are there Russian-specific issues that require stronger disclosure? How to improve disclosure of beneficial ownership of listed companies? What is the current setting for State-owned enterprises disclosure?

4.3. Background materials and presentations

- Background paper prepared for the panel by Oleg Shvyrkov, Deloitte CIS ([English](#)) ([Russian](#)).
- Alissa Amico and Hans Christiansen, [The Role of Stock Exchanges in Corporate Governance](#), 2009, OECD.
- Dr. Erik Vermeulen, [Beneficial Ownership and Control: A Comparative Study](#), 2012, OECD
- OECD Corporate Governance Committee, [Options for Obtaining Beneficial Ownership and Control Information](#), 2002, OECD.
- Barbara Georg, Head of Listing and Issuer Services at Deutsche Borse, presentation: [Disclosure and Transparency, Ongoing Requirements on Frankfurt Stock Exchange](#).
- Vladimir Gerasimov, Interfax, presentation: [Synchronising the Information Disclosure by Russian Companies in Russia and Abroad](#).
- Dr. Erik Vermeulen, Professor of Business Law & Finance, Tilburg University, presentation: [Beneficial Ownership and Control](#).

4.4. Summary of the discussions

28. The practices of the Frankfurt Stock Exchange with regard to the disclosure requirements were presented in the seminar and there was a description of benefits that increased transparency can provide for the financial market, and particularly to issuers that can differentiate themselves by moving up in the listing segments due to their ability to comply with higher transparency requirements. Transparency in this context implies timely, precise and extensive information disclosure. It contributes to higher trading volumes, a better liquidity and a greater investors' trust as it has been demonstrated by many world stock markets.

29. The difficulty in regulating transparency of beneficial ownership and control was addressed next. The key issue is finding the right balance between stringent rules and flexible adoption. Too strict disclosure rules may be discouraging for investors as well as too low requirements can be harmful for investors' trust. In this respect, some of the best world practices suggest that: i) compliance and enforcement of transparency and disclosure rules should be simple and include at least basic requirements (disclosure of above 5% control of shares, beneficial ownership disclosure, and a number of others); ii) certain level of flexibility is necessary not to discourage investors; iii) information sharing ("ecosystem") should be provided between market participants; and iv) non-judicial mechanisms should be developed.

30. In Russia, positive trends with regard to information disclosure are observed, however a negative stereotype about an opaque Russian financial market persists. Changing this stereotype is possible only if all market participants, including SOEs, contribute to increasing the information disclosure, coherent with international practices.

31. The disclosure practices could be improved by developing mechanisms allowing synchronisation of the regulatory news issued by companies with dual listing. At present the number of regulatory news issued at foreign stock markets often increase the number of regulatory news issued in Russia; and in case this news is issued at both Russian and a foreign market, in Russia it appears with delays of up to one hour.

32. Participants agreed that one of the least developed areas of information disclosure in Russia relates to top management remuneration disclosure. It appears that there is no single company in Russia providing clear and comprehensible executive and board member's remuneration information. If related information is provided, it has a formalistic approach and does not allow identifying the real figures (e.g. the components of an aggregated figure are not explained or salaries are integrated into a different figure).

33. Current Russian legislation does not establish duties to disclose information of personal remuneration of board members or members of the management. However, a new version of the Corporate

Governance Code, which is currently being prepared by the FFMS, would consider a recommendation encouraging disclosure of the compensation on an individual basis. This requirement would be therefore applicable to listed companies included in the higher levels of listing, as they are required to apply the Code (comply or explain).

34. Participants also pointed out other areas of weakness with regard to transparency, namely the evaluation of the board director's and board members' individual performance, and the introduction and use of ethic codes for boards.

35. Representatives of issuers expressed their concerns about the disclosure rules applicable to subsidiary companies. They suggested either removing the double disclosure requirement for parent and subsidiary companies or making it more flexible (e.g. there could be more time to disclose information or it should be disclosed at the aggregated level).

36. When debating about how much information should be disclosed in order to achieve the right transparency level and without harming companies' interests, participants representing business highlighted the main objective of disclosure, namely providing investors with sufficient information enabling them to take right investment decisions. Therefore, it was suggested that measures should be taken in order to change the present formalistic approach in fulfilment disclosure requirements and look for disclosure procedures that actually deliver the meaningful information the market needs. The experience of the past years can be used in identifying documents which are required but have no practical use by investors or regulators.

37. A formalistic approach taken by companies in providing legally required information was recognised by many participants. Overcoming this problem demands not only commitment from regulators, but also from businesses themselves. International experience shows that greater transparency means better liquidity and greater trade volumes. This evidence is also relevant for Russian companies and explains increasingly responsible behaviour of many companies.

38. Participants mentioned that at present, disclosure requirements in Russia focus on financial indicators at a very detailed technical level in line with IFRS. However, it was argued that this reports do not provide the information the analysts need and that they should be complemented with more corporate governance, sustainability, social responsibility and environmental indicators that could improve the transparency level of companies in Russia and would provide a better picture to investors.

4.5. Conclusions

39. *In order to continue enhancing transparency and improving the perception of Russia's equity market, companies need to renew their commitment to meaningful disclosure and avoid formalistic reporting.* Participants shared the understanding that increased transparency will enhance the corporate governance image of businesses in Russia and benefit all market participants. There should be a general commitment to play by the rules, and comply with their spirit and not just the letter of the laws and regulations.

40. *Information disclosure requirements should be relevant and meaningful, as well as determined in proportion to the profile of the company.* Discussants suggested that the accent in the area of information disclosure should be shifted from providing extensive information to providing relevant information. This would imply that disclosed information, both financial and non-financial, should provide all facts material to investment and voting decisions, and should be timely and precise. Disclosure should also be tailored proportionate to the size, complexity, structure, economic significance and risk profile of the company. Participants also highlighted the need for regulation to allow a certain level of flexibility, in lines with the "comply or explain" regime, for example.

41. *The alleged confidential nature of certain information should not be used as an excuse for fulfilling disclosure requirements.* Certain information can indeed constitute commercial secret and there is value in its protection, but participants emphasized that this should not be used as an excuse to withhold important information that in most jurisdictions is routinely reported. The issuer should be required to justify confidential treatment of otherwise required information before a third party, such as the regulator.

42. *Top management remuneration disclosure, using comply or explain approach, is one of the areas that should receive priority in improving transparency.* Discussants stressed that there is not even one listed company in Russia providing clear and comprehensible executive and board member's remuneration information. If related information is provided, it often has a formalistic approach and does not permit the identification of the components presented in an aggregated manner. Participants encouraged that any update of the Corporate Governance Code would consider a recommending disclosure of remuneration on an individual basis under a “comply or explain” regime.

43. *Companies with dual listing are often viewed as offering more, better and more timely information in foreign market than in the Russian market. Disclosure requirements should promote synchronisation of these reports.* It has been highlighted that Russian companies that are also listed abroad have managed to adapt to the higher corporate governance disclosure practices required at foreign markets without problems, but have not incorporated those higher standards to their Russian reporting. This leads to discrepancies in the information disclosed by the same company in Russia and abroad and may be detrimental to the development of the Russian market.

5. Third Panel: Enforcement of insider trading and market manipulation laws

5.1. Participants

Speakers:

- Joanna Banach, Expert, Polish Financial Supervision Authority
- Mike Lubrano, Managing Director, Cartica Capital

Commentators:

- Alexander Sinenko, Federal Financial Markets Service
- Alexander Naumov, Association of Russian Banks
- Anton Savushkin, MICEX-RTS
- Maria Shapiro, Gazprombank
- Darya Savchenko, Goldman Sachs
- Svetlana Kopylova, Renaissance Group
- Vyacheslav Krylov, Federal Financial Markets Service

Co-moderators: Alexander Ikonnikov, Independent Director Association, and Andrey Salashchenko, MICEX-RTS.

5.2. Description of the topic and issues for debate

44. The OECD Principles of Corporate Governance (Principle III.B.) call for the prohibition of insider trading and self-dealing. In Russia, the prohibition was established by the Law on Counteracting the Abuse of Inside Information and Market Manipulation adopted in July 2010.

45. In short, the law introduces statutory definitions of “insider” and “inside information” and amends the definition of “market manipulation.” It establishes criminal liability for illegitimate use or

transfer of inside information and liability for failing to comply with certain requirements, and furthermore tightens criminal liability for market manipulation. It also imposes disclosure obligations on insiders and sets out the functions and authority of FFMS in its capacity to combat market abuse.

46. The legislation has come into force in stages starting in January 2011. Certain relevant provisions, including those setting out what data constitute inside information and regulating the maintenance of the insider lists at companies, have entered into force only on January 2012. Provisions establishing criminal liability and the possibility of revocation of a banking license will only be effective next year.

47. Issues for debate: How does the new Russian law compare with international best practices in the field? Is there any need for further harmonization with the international standards? What will be the monitoring and enforcement mechanisms that will be used to promote compliance? Is there a role for the listing requirements and the activity of the stock exchange? How is the collaboration between the exchange and the securities regulator defined and formalised?

5.3. Background materials

- Background paper prepared for the panel by Oleg Shvyrkov, Deloitte CIS ([English](#)) ([Russian](#)).
- COSRA/IARC/OECD Latin American Roundtable Survey, [Misuse of Privileged Information](#), 2011, OECD
- IOSCO Emerging Markets Committee, [Insider Trading, How Jurisdictions Regulate It](#), 2003, IOSCO
- Mike Lubrano, Managing Director, Cartica Capital, presentation: [COSRA-OECD Joint Task Force Report on Privileged Information](#),

5.4. Summary of the discussions

48. Speakers at this final session highlighted that preventing the misuse of privileged information, as well as sanctioning it when it does occur, is a difficult challenge for all jurisdictions. Even with the best available tools, limitations on availability and timeliness of information impede prevention, and evidentiary requirements complicate enforcement actions. Although there are divergences in regulations and enforcement experiences across countries, Russia can benefit from considering how its peers in other jurisdictions address the issue of misuse of privileged information.

49. Recent OECD work has listed recommendations in the field that could be considered by Russian policy makers, namely: i) responsibility for preventing the misuse of privileged information should be a priority for Boards as well as Supervisory Authorities; ii) boards should strengthen corporate policies and practices on privileged information (they should regard the control of privileged information and the prevention of its misuse as a key element of risk management); iii) standards and codes should provide more detailed guidance to companies on appropriate policies and practices with respect to privileged information (exchanges and SROs should consider adopting policies or a code of conduct for their members regarding the use of privileged information); iv) trading by company insiders should be as transparent as possible (prohibit trading by insiders around key disclosure dates, such as “black-out periods”, or include in their legal frameworks a “short-swing” profit rule requiring insiders to return to the company any profits earned through the purchase and sale of shares within suspiciously short periods); and v) Supervisory Authorities should share experiences with regulation and enforcement.

50. The Law on Counteracting the Abuse of Inside Information and Market Manipulation has been adopted recently in Russia, therefore it would be premature to take conclusions about its implementation. However, participants claimed that a number of its provisions are vague in terms of definition and scope, and might be subject to varying interpretation by courts and state authorities. Moreover, it was said that certain provisions require the FFMS and certain other regulatory bodies to promulgate a number of regulations that they have yet to develop.

51. The authorities mentioned that the law has already been used and that the regulator is gaining experience, with a number of licenses' revocations for professional activity in the securities markets and fines have been applied on the basis on the new law. Participants lamented that not all this information about enforcement was public.

52. Some participants stressed that Russian legislation in the area of insider trading and market regulation is not sufficiently clear and simple, therefore investors do not feel confident and secure about coming to the Russian financial market. Some requirements may apply to foreign parent companies and their boards, and since there are no precedents there is a sense of unease with how secure people feel about the manner in which the compliance will be assessed. Moreover, Russian experts have difficulties in interpreting Russian legislation to the foreign investors because it is often different from international practices.

53. When finding the right balance between too stringent and too loose regulation, some soft law instruments could be considered. In some countries companies voluntarily disclose certain relevant information under incentive to get better positions at the stock exchange. In others the law has made it a liability of the board to prevent abuse of inside information and ask them to adopt preventive measures and monitoring (e.g. by imposing blackout periods, total bans on trading or even swing-out profits rules with the funds going back to the company).

54. In Russia, as in many other countries, some companies lack understanding why they should provide information considered privileged within their business and how it influences the financial market. Moreover, there are no sufficient mechanisms and no sufficient knowledge about existing mechanisms of insider trading prevention. Financial education is needed.

55. Many participants agreed that capacity building of companies (or providing "coaching") should be prioritised by the market regulator and supervisor authorities. Market participants should be explained what they are expected to do and why. Companies should also be given guidance in terms of which information, in which circumstance and in which extent they should provide or which measures should be taken, and when a company should be alerted about risks of insider trading, etc.

56. Participants mentioned that international experience suggests that one of the most efficient instruments for such capacity building is pursuing prominent and concrete cases. Those investigations and sanctions should be then made available to public scrutiny, and used as case studies for the assessment of future experiences. They may help people understand exactly what the improper behaviour is.

57. There was consensus that the supervisory authorities, the market regulators and stock exchanges should coordinate their information flow and thus simplify the disclosure expected from companies, especially when the same information is being requested by different authorities.

58. Participants also raised their concern about the present legal definition of market manipulation, which includes foreign currency. This was perceived to be a mistake. It was suggested excluding foreign currency from the coverage of the law at least until the moment when there is more experience with other market instruments.

5.5. Conclusions

59. *Efforts for preventing the misuse of privileged information should be a priority for boards as well as for the regulator.* Participants agreed that the responsibility for both preventing and enforcing improper handling of material non-public information should not only be assigned to the authorities, but shared proactively by the companies themselves and particularly their boards. In most these cases, it is always the shareholders who are damaged. It is either an existing shareholder that sells her shares ignoring

information that the insider has about an expected increase in their price, or a new shareholder that buys ignoring information that the insider has on how the price will decrease.

60. *Boards should strengthen corporate policies and practices on privileged information and regard its control and the misuse prevention as a key element of risk management.* Providing an adequate attention to internal policies and practices relating to the handling of privileged information should be a priority for issuers. Participants agreed that it should be regarded as an element of risk management and not merely a matter of technical compliance. Failure to regularly review existing policies and practices, and monitor their effectiveness, exposes firms not only to potentially serious reputational and financial risks, but also to administrative and civil liability.

61. *Standards and codes should provide comprehensible guidance to companies on appropriate policies and practices with respect to handling of privileged information.* Participants discussed weakness in the Corporate Governance Code and other potential sources of guidance, and claimed that there was not sufficient or specific enough indication on appropriate policies or practices with respect to handling of privileged information and the prevention of its misuse. Moreover, they wished there was more clarity in defining who is responsible for the implementation and oversight of any preventive frameworks.

62. *Secondary legislation and guidance required for the implementing of The Law on Counteracting the Abuse of Inside Information and Market Manipulation should be adopted shortly and sufficiently.* Uncertainty about the interpretation and application of certain provisions of these laws by the securities regulator and other regulatory or enforcement bodies should be minimized, participants agreed. There was wide encouragement for the timely adoption of additional and complementary regulation that could facilitate compliance with the new requirements.

63. *The securities regulator, the stock exchange and other market regulators should improve coordination of their information requests and share the information flow, simplifying the disclosure burden for issuers.* Representatives of issuers described how the same information is required to be reported at different times by different supervisory bodies. This causes additional costs and discourages companies from working towards better quality of the information disclosed. Participants encouraged the streamlining of reporting frameworks and the enhancing of reported information sharing among authorities.

64. *Capacity building on how to prevent and address the misuse of privileged information should be increased.* Participants agreed that preventing misuse of privileged information and sanctioning it when it occurs is a difficult challenge, even when a solid and experienced regulatory framework is in place. To a big extent, this depends on the capability of the company's relevant staff and of the Regulators' staff to identify, understand and master the issues. Developing and expanding training and educational programmes for companies and regulators is thus crucial. The sharing of case studies was highlighted as a promising alternative. Professional associations and international partners should also take a proactive role in this process.

6. Closing remarks: Sergei Shvetsov, Deputy Chairman, Bank of Russia

65. Mr. Shvetsov highlighted the importance of corporate governance in attracting investors and how it could be a comparative advantage or disadvantage for the Russian securities market. He emphasised that the merger of MICEX and RTS offered Russia the possibility to improve corporate governance practices and contribute to the development of a robust equity market, in line with the ambitions of Russian policy makers in the area of financial markets. Finally, he welcomed the participation of the OECD in helping Russia to design the reform agenda and to further improve the Russian corporate governance framework.

7. Speakers' Bio

66. Alissa Amico: Alissa is Policy Analyst at the Corporate Affairs Division of the OECD. There, she is primarily responsible for managing the OECD's work on improving corporate governance in the Middle East and North Africa region and contributing to the work programme of the OECD's Corporate Governance Committee. She has authored a number of publications on the role of stock exchanges in corporate governance. Alissa has participated in a number of national corporate governance commissions, charged with designing corporate governance codes or regulations. She holds a Bachelors degree in Business Administration from the Schulich School of Business, York University (Canada) and a Masters degree in Political Economy from the London School of Economics (UK). She is a member of a number of professional organizations such as the French Institute of Directors.

67. Joanna Banach: Joanna is Expert at the Law Department of the KNF - Polish Financial Supervision Authority, where she carries out criminal proceedings on insider trading and market manipulation. She takes part in the works of ESMA-Pol (standing committee of ESMA focusing on issues related to Market Abuse Directive) and ESMA Corporate Governance Advisory Group gaining international background and expertise. At many occasions she has represented the KNF sharing her knowledge on market abuse with guests from all over the world. Joanna obtained masters degree in International Management at the Warsaw School of Economics.

68. Barbara Georg: Barbara is Head of Listing & Issuer Services at Deutsche Börse, where she has worked since 1999. As such, she is responsible for national and international companies planning an IPO or already listed, as well as the further development of the stock exchange segments. As Head of Section, she is also entirely responsible for securities listing on the cash market and the rule enforcement, a position she has held since 2006. After studying law at the Universities of Saarbrücken, Exeter (England) and Bonn, Barbara, a fully qualified lawyer, worked for Deutsche Bank, where she was responsible for the stock exchange admission of bond issuances.

69. Vladimir Gerasimov: Vladimir is Executive Director at Interfax Group, where he has worked since 1991. Before joining Interfax, Vladimir worked at USSR State TV and Radio Broadcasting Committee, where he created the news agency's first business and finance products. In his current position Vladimir oversees the SPARK, EfIR, SCAN projects, financial news services and several of the Group's international partnerships, including Interfax-D&B, Moody's Interfax Rating Agency, United Credit Bureau. He is the member of the Government's Commission for implementing information technologies in the activity of state agencies and local government; the Expert Council on Corporate Governance under the Russian Federal Financial Markets Service (FFMS); the Federal Tax Service's Public Council; CJSC MICEX Stock Exchange's Listing Committee. Vladimir graduated from Moscow State University's School of Journalism. Completed a Reuters business journalism course in 1992.

70. Thomas Krantz: Thomas serves as Secretary General of the World Federation of Exchanges, the Paris-based trade association for the regulated financial exchange industry world-wide. He has been with the Federation since 1997. Before coming to WFE, he worked as an institutional investment advisor and head of the sales team at the Banque de Gestion Privée/Crédit Agricole group in Paris. Prior to that, he was a stockbroker and head of the sales/trading table at the Dresdner Bank group's Paris office. He also worked at Arthur Young in Paris as an auditor/consultant in the financial services sector. From 1986-88, Thomas managed central bank monetary reserves deposited at the Bank for International Settlements in Basle, Switzerland, along with the bank's own capital invested in multi-currency treasury instruments. He worked at Chase Manhattan Bank in New York and Paris in country risk evaluation and in corporate banking for trading and commodity companies.

71. Mike Lubrano: Mike is Managing Director, Corporate Governance, of Cartica Capital. Prior to joining Cartica, he set up IFC's corporate governance practice and served as Manager of IFC's Corporate

Governance Unit. After joining IFC in 1997, Mike established corporate governance as a central element of IFC's sustainable development strategy. He developed the IFC Corporate Governance Methodology, which is used to assess the quality of governance of potential IFC clients and to identify opportunities to add value by improving their boards, control environment, transparency and disclosure, and treatment of financial stakeholders. Prior joining IFC, he worked for the World Bank and was an international securities lawyer with Cleary, Gottlieb, Steen & Hamilton. He received his A.B. magna cum laude from Harvard College; his J.D. cum laude from New York University School of Law; and his M.P.A. from Princeton University.

72. Oleg Shvyrkov: Oleg is Director for Corporate Governance, Deloitte CIS, where he is in charge of Deloitte's governance-related services in the CIS and focuses on holistic governance analysis and research. He participates in several professional associations, including the National Council for Corporate Governance in Russia, the Taskforce for Development of the International Financial Center in Moscow, and the International Corporate Governance Network. Before joining Deloitte in 2012, he provided analytical guidance for Standard & Poor's Governance Services performing interactive, issuer-paid governance assessments in the BRIC countries. In addition to supervisory functions, criteria development and research, Oleg served as lead analyst on the group's major clients in Russia, Kazakhstan, and Brazil, chiefly in oil & gas.

73. Erik P.M. Vermeulen: Erik is Senior Counsel Corporate at Philips in the Netherlands. In this function, he works on matters of corporate governance and corporate structuring within the Philips group of companies, international M&A transactions and corporate venturing. He is also Professor of Business Law at Tilburg University Law School and Chairman of the Department of Business Law. In addition to having held visiting positions at Ghent University in Belgium, Pontificia Universidad Javeriana in Colombia and Tias-Nimbas Business School in the Netherlands, he is also visiting professor at Kyushu University Faculty of Law in Japan. Erik has worked on international projects concerning financial markets, corporate law and corporate governance in listed and non-listed companies. He has written extensively in the area of corporate law, partnership law, corporate governance, joint ventures and venture capital. His current research looks at trends in corporate governance, disclosure regimes, financial and venture capital markets, dispute resolution and enforcement, business law/lawyers and innovation, and listings on alternative stock markets. He is a member of the European Venture Club Council and a member of the Board of the Foundation for Education of Inhouse Lawyers in the Netherlands.