

Model Law

“On the Securities Market”

*adopted by the
Interparliamentary Assembly of the Member Nations of the Commonwealth
of Independent States
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Chapter 1. General Provisions on Investment Securities

Article 1 - Relationships Regulated by This Law

1. This Law regulates relationships that arise in the course of the emission and circulation of investment securities, as well as relationships that are connected with the accomplishment of professional activities on the securities market, and state regulation and supervision and non-state regulation and oversight of the securities market, for the purposes of provision for the safe, open and effective functioning of the securities market and protection of the rights of investors and possessors of securities and of fair competition by professional participants in the securities market.
2. The provisions of this Law shall not be applied to relationships arising during the emission of state securities.

Article 2 - The Concept of Investment Securities

Securities giving evidence of rights of participation and of debt obligations and other rights of claim, and also of other property and non-property rights, which give evidence of identical rights of their possessors within the framework of a single issue in relation to the person accepting the stated obligations (hereinafter -- the issuer) are investment securities.

Article 3 - Types of Investment Securities

Investment securities (hereinafter -- securities) are shares, obligations, and also other types of securities, including derivative securities and debt securities, which are assigned by law to {the category of} investment securities.

Editor's Note: In this document, both parentheses () and square brackets [] are used in the original text. These are reproduced here as they appear in the original. Translator's clarifications or additions appear in curved brackets {}, to distinguish them from material in the original text. All numbered footnotes appear in the original text.

Article 4 - Certificated Securities

1. Certificated securities are a written document on paper which provides evidence, with the observation of the established forms and obligatory requirements, of

rights of its possessor, the exercise and transfer of which are possible only with the presentation of the stated document. The requirements for securities issued in certificated form shall be established by law.

The possessor of certificated securities may be issued a certificate for several securities of a single issue or for all of an issue of securities with a single state registration number.

The basic requirements for the transfer and reestablishment of rights {in certificated securities}, as well as for the execution of obligations on securities in certificated form shall be established by the Civil Code and by other laws.

Only bearer securities may be issued in certificated form.

2. A restriction of the transfer {*obezdvizhivanie*} of certificated securities may be carried out by means of their transfer for storage to the central depository. Rights in transfer-restricted certificated securities shall be evidenced and shall circulate according to the rules established by this Law for uncertificated securities.

The transfer of certificated securities may be restricted on the basis of a contract between the central depository and the issuer of the corresponding securities, if this is envisioned by the conditions for their issuance.

The transfer of certificated securities may be restricted on the basis of a contract between their possessor and the central depository.

Obligatory restriction of transfer shall be a condition for the admission of certificated securities {to trading} on the organized securities markets.

The procedure for the restriction of transfer of foreign certificated securities admitted to circulation on the national securities market shall be established by the authorized state body.

3. The storage of transfer-restricted securities at the central depository shall be carried out separately from the property of the central depository, and in the financial accounting of the central depository transfer-restricted certificated securities shall be reflected separately from the assets of the central depository. Other special features of the storage of transfer-restricted securities shall be established by the authorized state body.

Article 5 - Uncertificated Securities

1. Uncertificated securities are inscribed securities, the rights in which are evidenced by a notation on the account in the register of possessors of securities or by a notation in the securities account at the depository that is acting in the capacity of the nominal holder.
2. It shall not be permitted for the rights of a possessor of securities to be evidenced simultaneously by both a document and a notation in the account in the register of the possessors of securities or in the securities account at the depository, or

{simultaneously} by both a notation in the account in the register of the possessors of securities and in the securities account at the depository.

Chapter 2.

Registration of Rights in Securities

Article 6 - Conditions and Procedure for the Registration of Rights in Securities, Restriction of Circulation and of the Exercise of These Rights

1. Rights in uncertificated securities shall be considered to arise from the time of the registration of the rights of their first possessor, accomplished in accordance with this Law.

Rights in certificated bearer securities shall arise from the time of their issuance to their first possessor by the issuer.

2. The arising, movement (transfer), change or termination of rights in uncertificated securities which takes place as a result of any change in possessor or other holder of rights in securities, {as a result of} any burdening of {the possessor's} rights in the securities that has a civil law nature or {as a result of} any transfer of securities to a nominal holder shall be subject to registration.

Restrictions on the circulation or on the exercise of the rights in uncertificated securities that have a public law nature (arrest, restriction of their disposition and others) which are established by a court or other state body which is delegated such authority in accordance with law shall also be subject to registration.

3. The registration of rights in uncertificated securities shall be carried out by means of the entry and (or) change of the notation in the account in the register of the possessors of securities or of the notation in the securities accounts at the depository.

The registration of rights in transfer-restricted certificated securities shall be carried out by means of the opening of securities accounts with the central depository, as well as by the entry and (or) change of the notations in such accounts.

4. A notation in the register of the possessors of securities or a notation on the securities account at the depository shall be evidence of the existence of the corresponding rights of the possessor and of other holders of rights and nominal holders of securities, and of the burdening of these rights or of the restriction of {their} circulation or {the restriction} of the exercise of {such} rights.

The requirements for the content of the notation in the register of the possessors of securities and in the securities accounts at the depository, as well as the conditions and procedure for the keeping of such registers and accounts, shall be established by this Law and by the authorized state body.

Article 7 - The Register of the Possessors of Securities

The register of the possessors of securities is the sum of the ordered notations on the possessors of securities (persons to whom the rights evidenced by the securities belong, trust managers, holders of security interests, and other holders of rights in securities), and also on the nominal holders of securities, which contain information allowing the identification of the possessors and nominal holders of securities and of other holders of rights in securities, and also the type of these securities, their nominal value and the number of securities, the type and nature of the registered rights in the securities, the nature of registered restrictions on the circulation or on the exercise of rights in the securities, the name of the state body establishing such restrictions, and other information envisioned by law.

In the instances established by law, the keeper of the register shall be obligated to compose a list of the persons mentioned in the first part of this article on a defined date and time. The list of the possessors of securities shall be composed by the keeper of the register upon the instruction of the issuer, upon the demand of other persons in the instances established by law, and also upon the demand of state bodies in accordance with law. The date for which the keeper of the register must compose the list shall be defined in the instruction or demand.

The keeper of the register must compose the list within the period defined by the authorized state body.

Article 8 - Conditions and Procedure for the Composition and Keeping of the Register of the Possessors of Securities

The composition and keeping of the register of the possessors of securities shall be carried out by the registrar on the basis of a contract concluded with the issuer of the securities or {shall be carried out} by the issuer itself. In the case when the keeping of the register of the possessors of securities is carried out by a registrar, the issuer shall bear joint and several liability with the registrar for the compensation of damages caused by the registrar by the improper execution of the obligations established by law.

The issuer and (or) person who on the basis of a contract with the issuer carries out the placement of the corresponding securities shall bear liability for the precision and accuracy of the information stated in the first part of Article 7 of this Law which is provided to the keeper of the register for the purposes of the composition and keeping of the register.

The conditions and procedure for the composition and keeping of the register, the conditions and procedure for the storage of the documents which are the basis for the entry of notation into the register, and also the forms for excerpts from the register, forms for orders for the transfer of securities and list of information to be stated in them shall be established by the authorized state body taking account of the requirements of legislation.

Article 9 - Contract on the Conduct of the Register of the Possessors of Securities

1. The keeping of the register of the possessors of securities, with the exception of instances when this {task} is carried out by the issuer of these securities, shall be conducted on the basis of a contract concerning the keeping of the register of the possessors of securities concluded between the issuer and the registrar.

By the contract on the keeping of the register, the registrar obligates itself to register the rights in securities, to accept and deposit on account securities, to carry out the instructions of the possessors of accounts concerning the transfer of securities and the conduct of other operations on the account.

The registrar shall take a payment from the issuer for the keeping of the register, the size of which shall be defined by the contract in accordance with the acts of the authorized state body.

The contract on the keeping of the register must be concluded in the form of a single written document.

2. A contract on the keeping of the register may be dissolved by the issuer at any time in a unilateral manner. Upon the dissolution of the contract the registrar shall be obligated to transfer to another registrar named by the issuer the register and other necessary documents, a list of which shall be established by the authorized state body, within the period envisioned in the contract, but not later than within 10 days from the day of receipt from the issuer of notice with the statement of the new registrar. The contract shall be considered dissolved from the time of the transfer by the registrar of the register and documents on the basis of which the notations were made in the register to the new registrar. The issuer shall be obligated to publish information on the replacement of the registrar or to disclose this in another way envisioned by the authorized state body.

The contract on the keeping of the register may be dissolved by the registrar through a court procedure on the grounds envisioned by law or by the contract. In this case, the registrar shall continue to carry out the keeping of the register until its transfer to a new registrar named by the issuer, and if the issuer does not name a new registrar within a reasonable period -- to a registrar named by the authorized state body. In this case the registrar shall have the right to demand from the issuer compensation for the expenses of the keeping of the register and payment of the fee until the transfer of the register to the new registrar.

3. The contract on the keeping of the register shall be terminated in the case of withdrawal by the authorized state body of the license of the registrar.

The authorized state body shall have the right to appoint its own representative in an organization from which a license has been withdrawn for the {purposes} of the transfer of the register and all of the documents which are the basis for the entry of notations into it to a new registrar, {which representative} shall possess all of the authority necessary for the transfer of the register to another registrar. The register shall be transferred to another registrar named by the issuer, and if the issuer does not name a new registrar within a reasonable period -- to the

registrar named by the authorized state body. All of the expenses connected with the transfer of the register to another registrar shall be borne by the registrar from which the license was withdrawn.

4. Information on the suspension of a license or its withdrawal from a registrar shall be published by the authorized state body in its publication or shall be disclosed to an unlimited group of persons by another method established by the authorized state body.

From the time when the registrar learned or should have learned of the suspension of the license or its withdrawal, it shall not have the right to conclude any kind of operation in the keeping of the register except operations which were not completed prior to the time of the suspension of the license or its withdrawal, if it is not otherwise envisioned by the decision of the authorized state body.

5. The registrar shall bear civil law liability before the issuer, the possessors and nominal holders {of securities} registered in the register, and also other interested persons, through the procedure and on the conditions established by law and by the contract on the keeping of the register, for the failure to execute or the improper execution of its obligations as envisioned by law and by the contract.

Article 10 - Bases for the Registration of Rights in Securities in the Register of the Possessors of Securities

1. Entry into the register of the possessors of securities of a notation on the change, termination, transfer or burdening of rights in securities shall be carried out upon the instruction of the person stated in the register whose right in the corresponding securities will by the notation be changed, terminated, transferred to another person or will be burdened by the rights of another person, or upon the decision of a court.

If the party in a civil law transaction whose registered right in securities, as a result of the transaction, changes, is terminated, is transferred to another party in the transaction or is burdened by the rights of this other party, avoids the presentation to the keeper of the register of an instruction on the making of the corresponding notation in the register of the possessors of securities, the other party in the transaction shall have the right to file suit in a court concerning the registration of its rights in the securities.

In the case that a change, termination, transfer or burdening of rights in securities takes place by force of law, or of a court act or by the act of another state body, or through inheritance or the reorganization of a legal person, entry into the register of the possessors of securities of the corresponding notation shall take place on the basis of a petition of the person to whom the rights in the securities is transferred, {the person} whose rights are changed, terminated or burdened, or the person in the interests of whom these rights are changed, terminated or burdened. Documents confirming the change, termination, transfer or burdening of the rights in the securities shall be appended to the petition.

2. Entry into the register of the possessors of securities of a notation on the restriction of the circulation of the securities or of the exercise of rights associated with them shall be conducted on the basis of an act of the state body which establishes the corresponding restriction.
3. Documents which are the basis for the entry by the keeper of the register of a notation in the securities account shall be subject to storage for a period of five years.

The keeper of the register shall not have the right to independently enter a notation into the register or to change them in the absence of the grounds stated in points 1 and 2 of this article.

A notation in the register of the possessors of securities may be challenged only through a court proceeding.

Article 11 - Form and Content of the Instruction of a Possessor Concerning the Registration of Rights in Securities

An instruction concerning the registration of rights in securities must be composed in written form, signed by the possessor of the securities or his/her representative and may be transferred personally, by hand delivery, by means of standard or courier post, or by telex or facsimile communication, with a mandatory immediate confirmation of receipt of this instruction.

In instances envisioned by legislation or by contract, the instruction on the registration of rights in securities may be made in oral form or in written form by means of electronic communication with the use of a coded electronic signature and with the observance of the norms for technical protection of information established by legislation.

The content of the instruction on the registration of rights in securities, as well as the conditions and procedure for the registration of such instructions by the keeper of the register, shall be defined by the authorized state body.

Legislation may envision the presentation of additional documents necessary for the registration of rights in securities, as well as the established requirements for the form and content of such documents.

Article 12 - Periods for the Registration of Rights in Securities in the Register of Possessors of Securities and Refusal of Registration

1. Registration of rights in securities by means of the entry into the register of a notation or written refusal of the entry of such a notation in the register with stated grounds {for the refusal} shall take place not later than three working days from the day of the receipt by the keeper of the register of the instruction on the registration of the rights in the securities, or the act of the state body or other documents envisioned by legislation.

The keeper of the register shall refuse the registration of the rights in the securities if the instruction on the registration of the rights in the securities, act of the state body or other documents necessary for the registration of the rights in the securities do not correspond to the requirements of this Law and of the acts of the authorized state body.

Refusal of the registration of the rights in the securities by the keeper of the register may be appealed through a court procedure.

2. Suspension of operations in the accounts in the register of the possessors of securities or a prohibition on their accomplishment shall be permitted only in the instances established by legislation, on the basis of the decisions of courts or decrees of bodies of inquiry and preliminary investigation or of another state body to which this right is provided by law.

Article 13 - Registration of Rights in Securities by the Depositary

1. The depositary shall carry out the registration of rights in securities by means of the opening and keeping of accounts of the possessors of securities.

In the registration by the depositary of rights in securities the rules of Articles 10 – 12 of this Law shall be applied.

The authorized state body shall establish unified rules for the registration of rights in securities carried out by depositaries and by keepers of registers.

2. A depositary, in carrying out the registration of rights of the possessors of securities

in conditions in which these documents are registered in the register of the possessors of securities in the account of the given depositary or in its securities account with another depositary, acts in the capacity of a nominal holder of these securities. A depositary acting in the capacity of a nominal holder of securities carries out its activity in the interests of the possessor of these securities and (or) in the interests of the depositaries-nominal holders of the securities who are the clients of the given depositary.

Rights in securities for which a depositary acts in the capacity of the nominal holder may be exercised by it only on the basis of an instruction of the possessor of these securities.

3. Execution for debts of the depositary may not be levied on securities in relation to which the depositary acts in the capacity of a nominal holder and these securities shall not be included in the competition assets {i.e. the bankruptcy estate} in the case of the bankruptcy of the depositary.

Article 14 - The Depositary Contract

1. A depositary shall carry out registration of the rights in securities on the basis of a contract for the provision of depositary services (a depositary contract) concluded with the depositors of the securities (the possessors of the securities, trust managers, holders of security interests, and other holders of rights whose rights in the securities are subject to registration, or other depositaries acting the capacity of nominal holders of securities).
2. The conclusion of a depositary contract shall not entail the transfer to the depositary of rights in the securities of the depositor. The depositary shall not have the right to dispose of the securities of the depositor or to carry out in the name of the depositor other actions with the securities except those carried out by instruction of the depositor in the instances envisioned in the depositary contract.

Article 15 - Excerpt from the Register of Possessors of Securities and Excerpt from a Securities Account

The presence in the register of the possessors of securities of a notation concerning the possessors of securities and rights in securities belonging to them or {concerning}the burdening or restriction of the circulation or of the exercise of these rights at a particular moment in time shall be confirmed by an excerpt from the register issued by the keeper of the register to the possessor of these securities.

Information on the possessors of securities and the rights in these securities belonging to them, and on the burdening or restriction of the circulation or exercise of these rights, which is contained in the securities accounts at the depositary at a defined moment in time, shall be confirmed by an excerpt from the account issued by the depositary to the possessor of these securities.

An excerpt from the register of the possessors of securities and an excerpt from the securities account are not {themselves equivalent to} the securities, and their transfer from one person to another does not indicate the conclusion of transactions with the corresponding securities and does not entail the movement (transfer) of rights in the securities.

Requirements as to the form and content of the excerpts from the register of the possessors of securities and excerpts from the securities account at the depositary shall be established by legislation.

Article 16 - Provision of Information on the Content of the Register and of Securities Accounts

Information on the content of the register of the possessors of securities and the securities accounts, as well as information on the depositors of a depositary, comprises a

commercial (entrepreneurial) secret which is not subject to disclosure and is protected by law.

Information stated in this article may be revealed to persons registered in the register of the possessors of securities or on the securities account in the depositary, to courts, to notaries, and to persons conducting inheritance matters, and also, in the instances envisioned by legislation, to other persons.

Chapter 3. Emission of Securities

Article 17 - The Concept of Emission of Securities

1. An emission of securities is the sum total of the ordered actions established by this Law {which are} necessary for the placement of securities.
2. Persons issuing securities in their own names and bearing the obligations which flow from these securities shall be recognized as issuers of securities.

Legal persons that are commercial organizations may be the issuers of securities, as well as other legal persons to which this is permitted by law.

It may be established by law that specific types of securities may be issued only by specific types of legal persons.

3. An issue of securities is the sum total of the securities of one issuer which provide to all possessors of these securities an identical amount of rights.
4. An emission of securities with placement among an undefined group of persons (public placement), as well as with placement among a known group of persons (private placement) shall include the following ordered stages:
 - 1) the adoption by the issuer of the decision on the placement of the securities in accordance with legislation;
 - 2) the registration of the issue of securities by the authorized body;
 - 3) the disclosure of the information contained in the prospectus for the emission;
 - 4) the placement of the securities;
 - 5) disclosure of information on the completion of the placement of the securities;
 - 6) the registration of the report on the results of the placement of the securities;

- 7) the disclosure of the information contained in the report on the result of the
 - 8) placement of the securities.
5. The requirements of subpoint 3 of point 4 of this article shall not apply in the case of the private placement of securities.

Article 18 - Registration of the Issue of Securities

1. Registration of an issue of securities shall be carried out by the authorized state body.
2. The authorized state body, after the receipt of documents presented by the issuer for registration of the issue of securities, shall be obligated to register the issue of securities or to adopt a justified decision on refusal of registration within 30 days.
The list of documents necessary for the registration of the issue of securities shall be established by the authorized state body.
In the process of the registration of the issue of securities the authorized state body shall be responsible only for the completeness of the information contained in the documents registered by it.
3. A decision of the authorized state body on the registration of the issue of securities may be appealed in a court by persons whose rights have been violated or may be violated as a result of the emission. A suit on the recognition of the registration of an issue of securities as void may be filed prior to the registration of the report on the results of the placement of the securities.
Suits mentioned in this point shall be subject to consideration in the courts within the competence of which is the consideration of {such}disputes, regardless of whether the plaintiff in such a suit is a physical or legal person.
4. In the process of the registration of an issue of securities, the issue shall be given an individual state registration number.
In the event of the emission in the future of additional issues of securities which evidence exactly the same rights as those evidenced by the earlier registered issue of securities, each of the later issues of such securities shall be given an individual state number, consisting of the individual state number given to the first registered issue of such securities and its own individual state number. After the registration of the report on the results of the placement of the securities, the special individual number for such {later} issue shall be annulled.

Article 19 - Grounds for Refusal of the Registration of an Issue of Securities

1. {The following} shall be grounds for the refusal of the registration of an issue of securities:

- 1) inconsistency of the documents presented or the information contained in them with the requirements of law and of the acts of the authorized state body;
 - 2) entry into the prospectus for the emission or the decision on the placement of the securities (or other documents which are the basis for the registration of the issue of securities) of information which is not accurate;
2. A decision on refusal of the registration of an issue of securities may be appealed by the issuer in court.

Article 20 - General Requirements for the Prospectus for the Emission

1. For the public placement of securities, the issuer shall disclose information on the issue of securities by means of the preparation of a prospectus for the emission of the securities.
2. The prospectus for the emission must contain information on the issuer and its financial position necessary so that an investor could objectively evaluate the assets and liabilities and profit and loss of the issuer, and also information on the rights associated with the securities proposed to be issued and on the conditions for their placement. Information on the financial position of the issuer shall not be stated in a prospectus for the emission if the law permits the public placement of stock during the founding of a joint stock society.

Requirements for the prospectus for the emission of securities (its form and content) shall be established by the authorized state body in accordance with this Law.

3. The prospectus for the emission of securities must be signed by the person carrying out the functions of the single-person executive body of the issuer and its chief accountant (or another person fulfilling that function) thereby confirming the accuracy and completeness of all of the information contained in the prospectus for the emission of securities, as well as by the auditor, and in the instances envisioned by law by an independent evaluator, confirming the accuracy and completeness of the parts of the prospectus for the emission of securities stated by them.

In the case when securities are placed with the participation of a professional participant in the securities market acting on the basis of a contract concluded with the issuer for their placement, the prospectus for the emission must be signed by such professional participant {in the securities market}, thereby confirming the accuracy and completeness of all of the information contained in the prospectus for the emission of the securities.

A prospectus for an emission may also be signed by other persons.

A person who signed the prospectus for the emission shall bear joint and several civil law liability with other persons who signed the prospectus for the emission,

and subsidiary {civil law} liability with the issuer before the possessors of securities for the fullness and accuracy of the information stated in the prospectus for the emission or in a part of it.

In the case that the functions of the single-person executive body and (or) of the chief accountant of the issuer are exercised by a legal entity, then in its name, and also in the names of the auditor and the broker if these are legal entities, the prospectus for the emission shall be signed by the person authorized to act in the name of the stated legal entities and the liability for the fullness and accuracy of the information stated in the prospectus for the emission shall be borne by the legal entities.

4. The prospectus for the emission of securities shall be registered by the authorized state body simultaneously with the registration of the issue of securities.

Article 21 - Information on the Issue of Securities Disclosed by the Issuer

1. The issuer is obligated to provide to all interested persons access to the information contained in the prospectus for the emission, by means of the publication of the prospectus for the emission in the mass media or publication of a notice on the procedure and means for the disclosure of such information not less than two weeks prior to the start of the placement of the securities.
2. The issuer, and also professional participants in the securities market taking part in the placement of the securities, shall be obligated to provide to potential investors the ability to become acquainted with the prospectus for the emission.
3. In the case of a change in the information contained in the prospectus for the emission which might affect the decision of an investor in the acquisition of the securities, the issuer is obligated to immediately notify in writing the authorized state body about this and to give notice of such changes in the same mass media in which the prospectus for the emission or the notice on the procedure and means for the disclosure of information was published.
4. The list of information a change in which may affect the decision of potential investors on the acquisition of securities shall be established by the authorized state body in accordance with legislation.

Article 22 - Placement of Issued Securities

1. The placement of securities is the arising for their first possessors of the rights evidenced by the securities, on the basis of civil law transactions.

The issuer shall have the right to advertise and (or) to begin the placement of securities only after the registration of their issue.
2. State registration of stock and other securities placed during the founding of a joint stock society and during the reorganization of joint stock societies and other

legal persons, with the exception of reorganization in the form of acquisition, shall be carried out after the placement of the stated securities. Such securities shall be considered placed from the time of the registration of the legal entity.

3. The establishment of privileged rights of acquisition of securities for one investor over others shall be prohibited, with the exception of instances of private placement, and also of instances when the privileged right of acquisition of such securities is established by law.
4. The issuer shall be obligated to complete the placement of the issued securities within the period envisioned by the decision on their placement (issuance), but not later than one year from the date of the beginning of the placement.

Article 23 - Suspension of the Emission of Securities

1. Suspension of the emission of securities means the prohibition to the issuer of further placement of the securities, and the termination of the advertising campaign for the placement of the securities of the given issue.
2. The authorized state body shall have the right to take a decision on the suspension of the emission of securities in cases of:
 - 1) the failure of the actual conditions of placement of the securities to correspond to the registered conditions for their placement or to the requirements of the law;
 - 2) the disclosure of information on the issue of securities containing data which is not consistent with the prospectus for the emission (or the registered conditions for the issue);
 - 3) the placement of the securities in an amount exceeding the registered issue of the securities;
 - 4) failure by the issuer to meet within the established period demands of the authorized state body concerning the elimination of violations of legislation on securities revealed in the activities of the issuer which are not connected with the accomplishment of the emission of the securities.

The reason for the suspension of the emission of the securities, as well as the period provided to the issuer for its elimination, must be stated in the decision concerning the suspension of the emission.

A decision of the authorized state body on the suspension of an emission may be appealed by the issuer in court within the period provided to it for the elimination of the violations.

3. The issuer shall be obligated to suspend the emission of the securities from the time of receipt of the corresponding decision of the authorized state body and to eliminate the violation revealed within the period defined by the authorized state body. The period for the placement of the securities shall be extended by the period of the suspension of the emission.

4. After the elimination of the violation, the placement of the securities shall be resumed by decision of the authorized state body.
5. During public placement of securities, the information on the suspension of the placement, and in the case of elimination of the reason for the suspension -- on the resumption of the placement, must be disclosed by the issuer through the same procedure as the information contained in the prospectus for the emission of these securities.

Article 24 - Registration of the Report on the Results of the Placement of Securities

1. The issuer shall be obligated to present a report on the results of the placement of securities to the authorized state body not later than 30 days after the disclosure of information on the completion of the placement of the securities.

In the instances envisioned by point 2 of Article 22 of this Law, the registration of the report on the results of the placement of the securities shall be carried out simultaneously with the registration of their issue.

2. The authorized state body shall be obligated to register the report on the results of the placement of the securities or to take a justified decision on the refusal of its registration within a two week period from the time of presentation by the issuer of all of the necessary documents. The decision of the authorized state body on the refusal of the registration of the report on the results of the placement of the securities may be appealed by the issuer in a court during a one month period from the date of the issuance of the decision on the refusal of the registration of the report on the results of the placement.
3. After the registration of the report on the results of the placement of the securities, a person whose rights were violated by the emission of these securities shall have the right to file in court only a suit concerning the recognition of the emission of the securities as void.
4. The completion of transactions with securities prior to the registration of the report on the results of the placement shall be prohibited. Transactions conducted with the securities prior to the registration of the report on the results of their placement shall be void.

Article 25 - Recognition of the Emission of Securities as Having Failed

1. Prior to the state registration of the report on the results of the placement of the securities, the authorized state body may recognize the emission as having failed in the case of:
 - 1) revelation, after the registration of the issue of securities, of the grounds stated in Article 19 of this Law upon which the registration of the issue should have been refused;

- 2) failure by the issuer to eliminate within the established period a violation which was the basis for the suspension of the emission of the securities;
 - 3) placement of the securities in a smaller number than is established by law or by the conditions for their placement;
 - 4) failure by the issuer to present within the period established by this Law the report on the results of the placement of the securities.
2. The authorized state body shall send a decision on the recognition of the emission as having failed to the issuer and shall publish it in its publication or disclose the stated information by another means envisioned by law.

The decision of the authorized state body on the recognition of the emission as having failed may be appealed by the issuer to a court within a period of one month from the date of its publication.

3. In the case of recognition by the authorized state body of the emission as having failed, all of the securities of the given issue shall be annulled and the property received by the issuer from the placement of the securities must be returned by the issuer to the possessors {of the securities} within the period stated in the decision on the recognition of the emission as having failed. The period for the return by the issuer of the property received by it may not be more than three months from the day of the adoption of the decision on the recognition of the emission as having failed.

In the case of impossibility of returning to possessors of securities the emission of which has failed the property with which the securities were paid for, the issuer shall pay to the possessor a monetary sum equal to the price of the placed securities.

4. The possessors of securities the emission of which has been recognized as having failed shall have the right to demand from the issuer compensation of losses caused to them, except in the case of recognition of the emission of securities as having failed as a result of the placement of securities in a lesser number than is established by law or by the conditions for their placement.

Article 26 - Recognition of an Emission of Securities as Void

1. The authorized state body shall have the right to make recourse to a court with a suit against the issuer concerning the recognition of an emission of securities as void if, after the registration of the report on the results of the placement of the securities, there are revealed {any of} the following violations:
- 1) failure of information stated in the report on the results of the placement of the securities to correspond to the prospectus for the emission (the registered conditions for the issue) or to information on the factual placement of such emission;

- 2) revelation after the registration of the report on the results of the placement of the securities of grounds on which the registration should have been refused.
2. After the registration of the report on the results of the placement of the securities, persons whose rights have been violated as a result of the emission of securities may file a suit in court on the recognition of the emission of securities as void.
3. A suit on the recognition of the emission of securities as void may be filed within a period of three months from the date of the disclosure of information contained in the report on the results of the issuance of the securities.

Chapter 4. Circulation of Securities

Article 27 - Bases for the Circulation of Securities

1. The arising, movement (transfer), change, burdening and termination of rights in securities shall be carried out on the basis of civil-law transactions, as well as on other bases established by law.

Restriction of the circulation of, and of the rights in, securities may be introduced by state bodies only in the instances and through the procedure envisioned by legislation.

2. The movement (transfer) of rights in certificated securities on the basis of civil-law transactions shall take place at the time of the transfer of these securities.

Movement (transfer) of rights in uncertificated securities, as well as in transfer-restricted certificated securities, on the basis of civil-law transactions shall take place from the time of registration, accomplished in accordance with the rules of this Law. In the transfer of rights in uncertificated securities and in transfer-restricted securities the rules on release of rights of claim (cession) shall not be applied.

Article 28 - Transactions with Securities on Organized Markets

1. On organized markets there shall be concluded only transactions with uncertificated securities and with transfer-restricted certificated securities which have been admitted to circulation on the corresponding organized market through the procedure established by legislation.
2. Transactions with securities on organized securities markets shall be concluded by professional participants of the securities market.

3. On an organized securities market, transactions shall be concluded with securities the rights of the possessors or nominal holders of which are registered by the central depository which serves the organizer of trading.

Transfer of securities on organized securities markets shall be carried out on the basis of transactions the conclusion of which on the organized securities markets is permitted by legislation.

4. The conditions and procedure for the conclusion of transactions with securities, for the conduct of clearing {operations} and for the transfer of securities in the accounts of the central depository serving the organizer of trading shall be established by the rules of the organizer of trading in accordance with legislation.

Transfer of securities on the organized securities markets shall be carried out in accordance with the rules of the corresponding organizer of trading, adopted through the procedure established by legislation.

5. Definition of the size of the mutual obligations of parties to transactions with securities on an organized securities market (clearing) shall be carried out by the central depository or a clearing organization.

The conditions and procedure for the conduct of clearing for transactions with securities on organized securities markets shall be established by acts of the authorized state body.

Settlements for transactions with securities shall be made after the completion of clearing. The basis for the conduct of settlements for transactions with securities on an organized market shall be the official notice of the central depository or the clearing subdivision of the organizer of trading on the completion of clearing.

Monetary settlements for transactions with securities concluded on an organized market must be carried out simultaneously with the transfer (movement) of the securities from the account of the seller to the account of the purchaser.

6. Professional participants shall not have the right to manipulate prices on the market for securities. By manipulation of prices is understood actions, including the placement of orders, completion of transactions and circulation of false information, creating the appearance of or facilitating the actual increase or decrease of prices and(or) of trading activity on the market for securities of investors and issuers in relation to the level of price and (or) liquidity of the market. {sic}

The commission of the stated actions by professional participants in the securities market shall be grounds for the suspension or annulment of the permission issued to them, as well as for the imposition upon them of liability as established by law.

Article 29 - Transactions with Securities Outside an Organized Securities Market

The conditions and procedure for the conclusion and execution of transactions with securities which are concluded outside an organized market shall be defined by the Civil Code, taking account of the particularities established by this and other laws.

Chapter 5. Disclosure of information

Article 30 - Forms of Disclosure of Information

1. By {the term} disclosure of information is understood the provision for its availability to all persons interested in it, independent of the purposes of the receipt of the given information, through a procedure which guarantees its location and receipt.

The issuer of securities placed or being placed by means of public placement shall be obligated to carry out disclosure of information on its securities and its financial-economic activities in the following forms:

- composition of a quarterly report on securities;
 - report on significant events and actions which concern the financial-economic activities of the issuer.
2. The quarterly report on securities must contain the following information:
 - 1) information on the issuer;
 - 2) information on the financial-economic activities of the issuer;
 - 3) information on the securities of the issuer;
 - 4) other information.

The quarterly report shall be composed concerning the results of each completed quarter not later than 45 days after its end, in accordance with the requirements for the quarterly report which are established by the authorized state body.

The quarterly report must be adopted by the authorized body of the issuer and presented to the authorized state body and also must be presented to the possessors of securities of the issuer upon their demand, for a payment not exceeding the expenses of its copying.

3. Reports on significant events and actions which affect the financial-economic activities of the issuer must be sent by the issuer to the authorized state body, as well as published by the issuer or disclosed by another means established by the authorized state body, not later than five days from the time of the occurrence of these events or from the taking of the actions.

4. Securities placed by means of a private placement may not be offered for acquisition by an unlimited group of persons or be advertised until such time as the prospectus for the emission of such securities is registered. Special requirements for the prospectus for the emission of these securities (its form and content) shall be established by the authorized state body in accordance with this Law.

The issuer of securities mentioned in this point shall be obligated to disclose information in accordance with the rules established by this Law for the issues of securities placed or to be placed by means of public placement.

5. The quarterly report must be signed by the person exercising the functions of the single-person executive body of the issuer and its chief accountant (or another person fulfilling such functions) thereby confirming the accuracy and completeness of all of the information contained in the report, and the report for the fourth quarter (yearly report) must be signed also by the auditor, confirming the completeness and accuracy of the part of the report stated by it.

A person who signed the quarterly report shall bear joint and several civil-law liability with other persons who signed the quarterly report or voted for its confirmation and subsidiary civil-law liability with the issuer before the possessors of the securities for the fullness and accuracy of information stated in the quarterly report or in a part of it.

In the instance when the function of the single-person executive body and (or) of the chief accountant of the issuer is carried out by a legal entity, then in its name the quarterly report shall be signed by the person authorized to act in the name of the stated legal entity and liability for the fullness and accuracy of the information stated in the quarterly report shall be borne by the legal entity.

Article 31 - Disclosure of Information Concerning the Possessors of Large Blocks of Shares

1. A person who independently or together with an affiliated person (persons) acquires shares with a voting right in an amount of five percent or more of the overall number of voting shares, and also upon each later acquisition or alienation by him/her independently or jointly with an affiliated person (persons) of such shares, shall be obligated to inform the issuer of this not later than ten days from the date of the entry of the corresponding notation into the register or into the accounts at the depository.
2. The obligation established by this point shall extend to a trust manager, nominal holder or other person who, in accordance with the conditions of contracts concluded with the possessors of shares, has the right to exercise the voting right associated with the shares according to his/her discretion.
3. The issuer of securities placed or to be placed by public placement shall be obligated to disclose information on the persons stated in point 1 of this article

through the procedure envisioned for the disclosure of information on significant events and actions which concern the financial-economic activities of the issuer not later than five days after the receipt of the corresponding information from the stated persons or from the keeper of the register.

Article 32 - Insider Information

1. Insider information is any undisclosed information on securities and operations with them, as well as on the issuer of these securities and the activities carried out by it, the disclosure of which may have a significant influence on the market price of these securities, including information which in accordance with this Law is subject to disclosure to an undefined group of persons – prior to the time of its disclosure through the procedure established by law.

Confidential information, access to which is restricted in accordance with the laws of State, {which has been} improperly published or by other means circulated among an undefined group of persons, as well as information received on the basis of such information, including {information} containing evaluations and conclusions related to the value of securities and of issuers of these securities, shall not be insider information.

2. {The following} shall be assigned {to the category of} persons having insider information:
 - 1) officials of the issuer, including persons who are in its collegial bodies of management;
 - 2) persons having access to such information as a result of their position, work responsibilities, or a civil-law contract concluded with the issuer, or as a result of supervision or oversight or other authority exercised by them;
 - 3) other persons mentioned in the law on transactions {concluded} with the use of insider information.
3. The spouses or close relatives of any of the persons listed in point 2 of this article, as well as persons who either deliberately or through circumstances not depending upon them received insider information, directly or indirectly, from the persons listed in point 2 of this article, and knew or should have known of the nature of the information received, shall also be {in the category of} insiders.
4. Persons having insider information shall not have the right to use such information for their own purposes for the conclusion of transactions with securities, nor to transfer such information to third parties. Persons violating the stated requirement shall bear liability in accordance with law.

Chapter 6.

Professional Activities on the Securities Market

Article 33 - Types of Professional Activity on the Securities Market

1. Professional activities on the securities market are entrepreneurial activity in the provision of services connected with the placement and circulation of securities which meet the qualifying requirements made for such activities by law.
2. Professional types of activity on the securities market shall be:
 - 1) broker activity;
 - 2) dealer activity;
 - 3) activity in the trust management of securities;
 - 4) depositary activity;
 - 5) activity in the keeping of the register of the possessors of inscribed securities;
 - 6) activity in accounting for mutual obligations {of participants in the securities market} and (or) the conduct of settlements for transactions with securities (clearing activities);
 - 7) activity in the organization of trading of securities.
3. Professional activity on the securities market may be carried out only on the basis of a special permission (license), issued by the authorized state body.

Article 34 - Combination of Professional Activities on the Securities Market

1. Combination of professional activities on the securities market with other types of entrepreneurial activities shall not be permitted, with the exception of instances envisioned by law.
2. Restrictions on the combination of professional activities on the securities market shall be established by law.

For the purposes of the prevention of conflicts of interest in the combination by professional participants in the securities market of various types of professional activities, the authorized state body shall have the right to establish requirements for participants combining various types of professional activities.

Article 35 - General Requirements of Professional Participants in the Securities Market

1. Professional participants in the securities market may be commercial organizations, and in the instances established by this Law, an individual entrepreneur or a non-commercial organization.
2. Licensing requirements for professional participants in the securities market, including requirements as to the size of their own capital and the procedure for its definition, as to financial stability, and those concerning the employees of the professional participant in the securities market shall be established by authorized state body.
3. The requirements concerning the conduct of professional activities on securities markets shall be established by the authorized state body in accordance with the provisions of this Law.

Article 36 - Broker Activities

1. Broker activities are activities of a professional participant in the securities market, called a broker, in the conclusion of transactions with securities in the capacity of a representative, agent or commissionaire, acting on the basis of a contract for representation, an agency contract or a commission contract.
2. For the conduct of broker activities, a broker shall be obligated to open a separate bank account for the purpose of the completion of operations with the monetary assets belonging to the clients of the broker. The broker shall be obligated to keep an accounting of the monetary assets placed in the stated account for each client separately and to be accountable to the clients for their use.

The broker shall have the right to use monetary assets placed in the special brokers account if this right of the broker is envisioned in the contract with the client to whom the monetary assets belong. Monetary assets of clients who have provided to the broker the right to use the money belonging to them in the interests of the broker, must be placed in a bank account separate from the bank account in which the monetary assets of other clients are located.

Article 37 - Dealer Activities

1. Dealer activity is the conclusion by a professional participant in the securities market, called a dealer, of purchase-and-sale transactions with securities in his/her own name and at his/her own expense by means of the public announcement of a price for purchase and(or) sale of securities, with the obligatory purchase and(or) sale of these securities at the prices earlier publicly announced by the person conducting such activity.
2. A dealer may be an individual entrepreneur.

Article 38 - Activity in the Trust Management of Securities

1. Activity in the trust management of securities is activity carried out by professional participants of the securities market, called trust managers, in their own name and for compensation and connected with the trust management of securities or monetary assets intended for investment in securities, which belong to another person and are transferred to {the trust manager's} possession and disposition.
2. The rights of a trust manager in the securities transferred to him/her for management or received as a result of such management shall be accounted for by the keeper of the register or the depository according to the rules established for account for the rights of the possessors of securities.

Securities located in trust management shall not be accounted for by the keeper of the register or the depository on the accounts of their possessor or the founder of the {trust} management.

3. If it is not otherwise established by a contract of trust management or by a law defining the particular features of trust management of securities, a trust manager shall exercise in relation to the securities transferred to him/her all of the rights of the possessors of these securities as to the possession, use and disposition of them, as well as exercise without a power of attorney or other authority all of the rights evidenced by these securities.

Article 39 - Activity in the Keeping of the Register of the Possessors of Inscribed Securities

1. Activity in the keeping of the register of the possessors of inscribed securities is the conduct by professional participants in the securities market, called registrars, on the basis of a contract with the issuer of securities, of activity in the provision of services concerning the registration of the rights of the possessors of securities of the given issuer, and in relation to securities transferred by their possessors to a depository-nominal holder, in the registration of information on such securities and their depository-nominal holder.

Only a registrar or, in the instances envisioned by law, the issuer of the securities may act in the capacity of the person keeping the register of the possessors of securities, called the keeper of the register. The issuer shall carry out activity in the keeping of the register of the possessors of securities issued by it without a license from the authorized state body.

2. The register of all securities of a single issuer must be kept by a single keeper of the register.

The issuer of securities, including those having a license as a professional participant in the securities market for the conduct of professional activities in the keeping of the register, shall not have the right to keep the register of the possessors of securities issued by it if the number of these possessors exceeds the

number established by law. Violation of this requirement is not grounds for the recognition of the operations of the issuer in the keeping of the register as void.

The keeping of the register of the securities of open joint stock societies must be carried out only by a registrar. The registrar must not be an affiliated person of the issuer or its officials or of shareholders (participants) of the issuer possessing independently or together with affiliated persons ten percent or more of the voting stock (shares, participation) of the given issuer.

3. The registrar shall not have the right to transfer the keeping of the register to another person.
4. The keeper of the register shall be obligated to confirm rules for the keeping of the register of the possessors of securities, containing the conditions for the completion of operations in the accounts of the registered persons and the rights and obligations of the keeper of the register and of a registered person. The rules for the keeping of the register of possessors of securities must be available for any person to become acquainted with.
5. A registrar shall not have the right to possess and dispose of securities of issuers the registers of which it keeps.
6. The keeper of the register shall be obligated, upon a demand of the possessor or a person acting in his/her name and also {upon a demand} of the nominal holder of securities, to provide an excerpt from the register concerning his/her account with a statement of the account, the number of securities of each issue in that account at the time of issuance of the excerpt, the facts of their burdening by any obligations, and also other information related to the securities.

The person issuing the stated excerpt shall bear liability for the fullness and accuracy of the information contained in it.

7. The keeper of the register shall guarantee the secrecy of the account and the operations in the account. Information on the accounts and on the operations conducted in them shall be provided by the keeper of the register in the instances and through the procedures established by legislation.

Article 40 - Depositary Activity

1. Depositary activity is the provision by a professional participant in the securities market, called a depositary, of services in the registration of rights in securities, with the provision of services in the storage of these securities or without the provision of such services, on the basis of a contract with the possessors of these securities (a depositary contract).
2. A depositary shall be obligated to disclose the conditions for the conduct by it of depositary activity, which are an inalienable composite part of the depositary contract concluded.

3. In the instance when it is necessary, for the exercise by the possessor of securities of the rights evidenced by the securities, to provide information on the possessors of inscribed securities to the person carrying out the keeping of the register of possessors of such securities, the depositary shall be obligated to provide a list of the registered possessors of securities, for whom it is a nominal holder on a defined date. In such a list there shall not be included possessors of securities who have not given the nominal holder the right to disclose the stated information. In this case, the nominal holder is to be included in the list, who shall have only the right to receive incomes, including dividends, on such securities and monetary sums or other property paid in redemption of such securities, and additional shares distributed among the shareholders. The nominal holder shall be obligated to transfer received property to the possessor of the securities.

Instances when the depositary, acting in the capacity of a nominal holder, is obligated to inform the issuer concerning changes in the possessors of the securities of this issuer, may be envisioned by law.

Article 41 - Central Depositary

1. The central depositary shall carry out:
 - 1) the restriction of transfer and the storage of transfer-restricted certificated securities;
 - 2) registration of the rights of the possessors of securities which circulate on organized securities markets;
 - 3) clearing for all transactions with securities carried out on organized securities markets.

The central depositary shall carry out the stated types of activities in providing service for all transactions of all organizers of trading in the securities market.

The central depositary may create branches for the fulfillment of functions in the acceptance and transfer of the orders of clients for execution of transactions with securities and in the transfer of other information, and also shall have the right, on the basis of contracts of agency concluded with other professional participants in the securities market, to transfer the accomplishment of these functions to them.

2. The central depositary shall not have the right to carry out other types of professional activity on the securities market except depositary and clearing {activities} and also shall not have the right to undertake other entrepreneurial activities.

The central depositary shall not have the right to delegate to other persons the execution of the obligations imposed upon it by legislation and accepted by it under contract, if it is not otherwise permitted by this Law.

3. The central depository shall not have the right to be a participant in commercial organizations.

Article 42 - Clearing Activities (activity in accounting for mutual obligations)

1. Clearing activity (clearing) is activity of a professional participant in the securities market, called a clearing organization, in the collection, summary and correction of information concerning transactions with securities and derivative instruments and the preparation of settlement documents for them, as well as the accounting for provision of securities and settlement for them in accordance with the principle of "supply {only} against payment."

A clearing organization must keep separate account of the obligations of each participant in the clearing.

2. A clearing organization must store information on transactions for which it conducts clearing and also information on its results, for not less than five years.
3. To provide for the execution of transactions with securities in relation to which clearing is carried out, and reduction of liquidity risks, systemic risks and risks of failure to perform transactions with securities, organizations carrying out accounting must form a guarantee fund and elaborate a system of measures for the reduction of the risks of the conduct of its activities in accordance with the requirements of the authorized state body.

The basic requirements concerning the formation and use of the guarantee fund, concerning its minimum size and also concerning the system of measures for the reduction of risks of the conduct of clearing activities shall be defined by the authorized state body.

4. A clearing organization must elaborate and confirm, by agreement with the authorized state body, the conditions for the conduct of this type of activity. The conditions for the conduct of clearing activity shall be an inalienable part of contracts concluded by clearing organizations.

Article 43 - Activity in the Organization of Trading of Securities

1. Activity in the organization of trading of securities on the market for securities is activity of a professional participant in the securities market, called an organizer of trading, in the provision of services facilitating the conclusion of civil-law transactions with securities and derivative instruments between professional participants in the securities market or with their participation, by means of the organization and conduct of regular public auctions of securities according to established rules.
2. Stock exchanges, and also commodities, currency and universal exchanges, where there is present in their structure a separate structural subdivision that is a stock

department (section), and organizers of non-exchange trading on the securities market are organizers of trading.

An organizer of trading may receive the rights of a self-regulating organization through the procedure and on the conditions envisioned by this Law.

3. An organizer of trading on the securities market shall elaborate:
 - 1) rules for the conduct of trading of securities and derivative instruments;
 - 2) a procedure for the admission of participants in the securities market to trade;
 - 3) a procedure for the admission of securities to trade;
 - 4) a procedure for the conclusion and execution of transactions;
 - 5) rules restricting the actions of participants in trading in the manipulation of prices (including by means of the issuance of announcements, conclusion of transactions, distribution of false information and so forth, which creates the appearance of or facilitates the actual increase or decrease of prices and (or) of trading activity on the securities market) which leads participants in the securities market, investors or issuers into confusion regarding the level of prices and (or) the liquidity of the market;
 - 6) a procedure for the consideration within the framework of an arbitration tribunal of disputes between participants in trading, as well as between participants in trading and the organizer of trading.

The stated documents shall be confirmed by the authorized state body.

The organizer of trading shall be obligated to provide the stated documents, and also a list of securities and derivatives admitted to trade, for any interested person to acquaint themselves with.

4. The organizer of trading shall establish a procedure for inclusion into the list of securities and derivatives admitted to trade (listing) and exclusion from such list (delisting). Securities and derivative instruments not included in the list of those circulating on the organized market may be the object of transactions on such market through the procedure envisioned in the internal documents of the organizer of trading.
5. The organizer of trading shall be obligated to provide for openness and publicity of the auctions conducted by means of informing the participants in trading of the place and time of the conduct of auctions, of the list of securities and derivative instruments admitted to trade, on the quotation of prices, on the results of trading sessions and also provision of other information connected with the auctions of securities.

The organizer of trading shall carry out quotation of prices for securities.

For the purposes of the reduction of risks on the securities market, the organizer of trading shall be obligated to create and to provide for the functioning of a system of control over transactions with securities for the revelation of actions of

professional participants that give evidence of manipulation of prices or of the use of insider information in their commission.

Article 44 - Stock Exchange

1. A stock exchange shall be only an organizer of trading on the securities market not combining activity in the organization of trading of securities with other types of activities, with the exception of depository {activity} and activity in the determination of mutual obligations (clearing).
2. A stock exchange shall carry out the organization of regular auctions of securities and the quotation of prices.
3. A stock exchange is a self-regulating organization and its members may be only professional participants in the securities market. The procedure for the inclusion of members into the stock exchange and exit or exclusion of members from the stock exchange shall be defined by the latter independently on the basis of its internal documents.
4. Employees of the stock exchange may not be the founders and participants of the stock exchange, nor independently participate in trading on the stock exchange.
5. The members of the stock exchange shall create a permanently functioning specialized arbitration tribunal for the consideration of disputes between members of the stock exchange and between members of the stock exchange and their clients.

Article 45 - Liability of Participants in the Securities Market

1. Persons who have violated the legislation on securities shall bear liability in the instances and through the procedures envisioned by legislation.
2. Losses caused as a result of violation of the legislation on securities shall be subject to compensation through the procedure established by civil legislation.

Chapter 7. Regulation of the Securities Market

Article 46 - State Body for the Regulation and Supervision of the Securities Market

1. State regulation and supervision of the securities market shall be carried out by the authorized state body.
2. The functions of the authorized state body shall be:

- 1) the elaboration and confirmation of unified requirements (standards) for the procedure and conditions of licensing and for the conduct of professional activities on the securities market;
- 2) the elaboration and confirmation of unified requirements (standards) for the emission of securities;
- 3) the definition of requirements made of self-regulating organizations for the provision to them of the rights of self-regulating organizations, envisioned by this Law, the procedure for the provision and termination of the stated rights, and also the keeping of a register of self-regulating organizations;
- 4) exercise of oversight over the observance by professional participants in the securities market and by issuers of the requirements of legislation on securities;
- 5) exercise of oversight over the observance of the requirements established by legislation for the disclosure of information on the securities market;
- 6) the definition of the conditions and procedure for the admission of securities of foreign issuers to circulation on the securities market of the state as well as the conditions and procedure for admission of securities of national issuers on the securities market of a foreign state;
- 7) provision for the creation of a generally available system for the disclosure of information concerning the securities market;
- 8) the keeping of the register of professional participants in the securities market, the register of registered issues of securities, and other registers providing for the disclosure of information on the securities market.

The execution of other functions may be entrusted by a law to the authorized state body.

Article 47 - Authority of the State Body Concerning the Observance of the Legislation on Securities

For the purposes of the execution of the functions entrusted to it, the authorized state body shall:

- 1) carry out the registration of issues of securities and of reports on the results of placement of securities; suspend emissions of securities and also recognize them as having failed;
- 2) issue written prescriptions concerning the need to eliminate violations by issuers and by professional participants in the securities market of the legislation on securities, with a statement of the period for their elimination, and also have the right to demand from them the presentation of the documents necessary for the exercise of its authorities;

- 3) carry out the verification of issuers and of professional participants in the securities market concerning questions of their observance of the legislation on securities on the basis of the complaints of legal entities and citizens or upon its own initiative;
- 4) apply to issuers and to professional participants in the securities market and to their officials the measures of administrative liability for the violation of the legislation on securities which are envisioned by legislation;
- 5) have the right to file suit in a court concerning the recognition of an emission of securities as void and concerning the compulsory liquidation of an organization conducting activity on the securities market without special permission (a license), and also to make recourse to a court with other suits in the instances and through the procedures envisioned by law;
- 6) issue prescriptions on the cessation of the activities of persons carrying out such activities on the securities market without special permission (a license);
- 7) issue, suspend, and withdraw special permissions (licenses) for the conduct of professional activities on the securities market;
- 8) establish the requirements for the procedure for conclusion by professional participants of transactions with securities;
- 9) define the requirements concerning the qualifications of the employees of professional participants in the securities market;
- 10) confirm the programs for preparation of specialists of organizations conducting professional activities on the securities market and conduct the attestation of such specialists;
- 11) establish the procedure for the conduct of transactions in non-exchange trading systems;
- 12) exercise other authorities envisioned by law.

Article 48 - Self-Regulating Organization

1. A self-regulating organization is a legal entity founded by professional participants in the securities market for the purposes of providing for the conditions for the conduct of professional activities by its members, and the establishment and observance of unified rules of conduct and standards of professional ethics by members of the self-regulating organization.
2. An organization founded by not less than 25 professional participants in the securities market shall have the right to submit to the authorized state body a petition on provision to it of the rights of a self-regulating organization.
3. A self-regulating organization shall be obligated to provide to the authorized state body information about all changes made in the documents concerning its creation and in the statute and rules adopted by such organization.

4. A professional participant in the securities market must be a member of a self-regulating organization. Membership in a self-regulating organization is a mandatory condition of the receipt of a special permission (license) for the conduct of professional activities on the securities market.

Article 49 - Authority of a Self-Regulating Organization in the Securities Market

1. A self-regulating organization shall have the right:
 - 1) to elaborate, on the basis of and in accordance with legislation, unified rules for the activities of its participants on the securities market, as well as rules for their professional ethics;
 - 2) to conduct verifications of the activities of its participants concerning observance by them of the legislation on securities as well as of the rules of the self-regulating organization;
 - 3) to issue conclusions having an advisory nature concerning the possibility for the issuance of a special permission (license) for the conduct of professional activities on the securities market, and to petition concerning the deprivation of such permissions (licenses) in cases of violation of mandatory rules of conduct on securities markets;
 - 4) to elaborate programs for the preparation of specialists of organizations conducting professional activity on securities markets;
 - 5) to establish rules for the resolution of disputes between members of the self-regulating organization.
2. The authorized state body may transfer to a self-regulating organization its authority concerning the confirmation of programs for the preparation of specialists of organizations conducting professional activity on the securities market and concerning their attestation and the issuance of documents concerning attestation.
3. In the instance of the revelation of a violation of the legislation on securities by participants of a self-regulating organization, the latter shall be obligated to immediately inform the authorized state body about this.
4. The authorized state body may deprive a self-regulating organization of the status of a self-regulating organization in cases of failure by it to execute the obligations envisioned in this Law.

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