

FEDERAL LAW  
NO. 46-FZ OF MARCH 5, 1999  
ON PROTECTION OF RIGHTS AND LEGITIMATE INTERESTS  
OF INVESTORS AT SECURITIES MARKET

Adopted by the State Duma on February 12, 1999

Approved by the Council of the Federation on February 18, 1999

Article 1. Purposes of the Present Federal Law

The purposes of the present Federal Law shall be providing state and public protection to the rights and legitimate interests of natural persons and legal entities whose object of investments is emission securities (hereinafter, Investors) and also defining the procedure for paying out compensations or granting other forms of losses indemnification to Investors out of natural persons, resulting from unlawful activities of emitters and other participants of securities market (hereinafter, Professional Participants) at securities market.

Article 2. Sphere of Reference of the Present Federal Law

1. The present Federal Law shall set forth:

the terms of granting services by Professional Participants to Investors who are not professional participants;

additional requirements to Professional Participants granting services to Investors at securities market;

additional terms of distribution of emission securities to an unlimited number of Investors at securities market;

additional measures to protect the rights and legitimate interests of Investors at securities market and liability of emitters and other parties for violation of these rights and interests.

2. The present Federal Law shall not apply to relations pertaining to attraction of monetary resources as deposits in banks and other credit organizations, insurance companies, and non-governmental pension funds, pertaining to circulation of deposit and savings certificates of credit organizations, cheques, bills of exchange, and other securities not rated as emission securities under the laws of the Russian Federation, and also pertaining to circulation of state securities of the Russian Federation, state securities of the subjects of the Russian Federation, and securities of municipal bodies.

Article 3. Legislation of the Russian Federation on Protection of Rights and  
Legitimate Interests of Investors at Securities Market

Relations pertaining to protection of rights and legitimate interests of Investors at securities market shall be regulated by the present Federal Law, other federal laws, and other normative acts of the Russian Federation.

Article 4. Restrictions at Securities Market Aimed to Protect the Rights and  
Legitimate Interests of Investors

1. It shall be prohibited to advertise and/or offer to an unlimited number of parties securities of emitters failing to disclose information in amount and according to the procedure specified in the legislation of the Russian Federation on securities for emitters distributing securities to the

public.

2. The terms of agreements concluded with Investors, which may restrict the rights of Investors as compared to those provided by the legislation of the Russian Federation on protection of rights and legitimate interests of Investors at securities market, shall be considered insignificant.

3. Violation of Items 1 and 2 of the present Article by a Professional Participant shall be regarded as a basis for revocation or suspension of his licence for professional activities at securities market and/or imposing a fine.

#### Article 5. Restrictions Pertaining to Emission and Circulation of Securities

1. It shall be prohibited at securities market to distribute to the public, to advertise and propose in any other form to an unlimited number of parties securities which have not undergone state registration, securities which are prohibited from public distribution or not envisaged in the federal laws and other normative acts of the Russian Federation, and also documents confirming pecuniary and other obligations, which are not rated as securities under the legislation of the Russian Federation.

2. It shall be prohibited to the holder of securities to conclude any deals with securities owned by him before their full redemption and registration of the report of the results of their issue.

3. Emission of bonds and other emission securities by noncommercial organizations shall only be permitted in cases envisaged in federal laws and other normative acts of the Russian Federation in the presence of collateral defined in the mentioned normative acts.

4. Decision on a closed subscription of stocks and securities convertible into stocks may only be adopted at the general meeting of shareholders by two thirds of votes, if the greater number of votes necessary for the adoption of such a decision is not envisaged in the charter of the joint-stock company.

At the demand of shareholders voting against the decision or failing to take part in the vote, the joint-stock company shall be obliged to redeem from them the stocks, according to the Federal Law "On Joint-Stock Companies".

The requirements of Paragraphs 1 and 2 of the present Item shall not apply to closed subscriptions of stocks and securities convertible into stocks only among shareholders, if the shareholders can obtain stocks and securities convertible into stocks in proportion to the amount of stocks owned by them.

Decision on an open subscription to stocks and securities convertible into stocks, which envisage payment for them by non-monetary resources, should also envisage an opportunity to pay for them also with monetary resources at the discretion of Investors.

5. The persons signing the emission prospectus for securities shall bear a joint subsidiary responsibility for any losses incurred on the Investor by the emitter, resulting from information incorrect and/or misleading for the Investor contained in the mentioned prospectus.

An independent appraiser and auditor who has signed the emission prospectus for securities bear jointly with other persons who has signed the emission prospectus for securities a subsidiary responsibility with the emitter for any losses incurred on the Investor by the emitter resulting from information incorrect or misleading for the Investor contained in the mentioned prospectus and certified by them.

A lawsuit for losses indemnification under Paragraphs 1 and 2 of the present Item can be filed in a court within one year from the date of revealing the violation, but not later than within three years from the date when distribution of securities began.

#### Article 6. Granting of Information Pertaining to Securities in Circulation to the Investor

1. The issuer shall be obliged to present to the Investor information specified in the legislation of the Russian Federation.

2. Professional Participant offering services at securities market to the Investor shall be obliged to present the following documents and information to the Investor at his demand:

a copy of the licence for professional work at securities market;

a copy of the document of state registration of the Professional Participant as a legal entity or independent entrepreneur;

information on the body issuing the licence for professional work at securities market (its name, address, and telephone numbers);

information on the registered capital, amount of own resources of the Professional Participant and its reserve fund.

3. Professional Participant, when selling securities to the Investor or buying securities on behalf of the Investor, shall be obliged to present, at the demand of the Investor, besides information specified in the federal laws and other normative acts of the Russian Federation, also the following information:

information on state registration of these securities and state registration number for this release;

information contained in the decision on the emission of these securities and their emission prospectus;

information on prices and quotations for these securities at organized securities markets within six weeks preceding the date when the Investor requested such information, if these securities are included in the list issued by trade organizers, or proof of absence of these securities in the list issued by trade organizers;

information on prices at which these securities were bought and sold by this Professional Participant within six weeks preceding the date when the Investor requested such information or proof of the fact that such operations did not take place;

information on assessment of these securities by a rating agency recognized in compliance with the procedure established by the legislation of the Russian Federation.

4. Professional Participant, when securities are alienated by the Investor, shall be obliged to present, at the demand of the Investor, besides information specified by the federal laws and other normative acts of the Russian Federation also information on:

prices and quotations of these securities at organized securities markets within six weeks preceding the date when such information was requested by the Investor, if these securities are included in the list issued by trade organizers, or proof of absence of these securities in the list issued by trade organizers;

prices at which these securities were bought and sold by this Professional Participant within six weeks preceding the date when such information was requested by the Investor or proof of the fact that such operations did not take place.

5. Professional Participant shall be obliged in any case to inform the Investor of his right to obtain information mentioned in the present Article. In addition, the Professional Participant

providing services to Investors out of natural persons shall be obliged to inform the latter of the rights and warranties granted to them under the present Federal Law.

6. Professional Participant shall be entitled to demand from the Investor a payment for the information mentioned in Items 3 and 4 of the present Article submitted to him in writing in amount not higher than the costs of its copying.

Supervision over the amount of payment charged for the information by Professional Participants or emitters shall be vested in the federal executive body in charge of securities market.

7. A violation of the requirements set forth in the present Article, including submission of incorrect, incomplete, and/or misleading information for the Investor, shall be regarded as a basis for changing or discontinuation of the agreement between the Investor and the Professional Participant (emitter) effected at the demand of the Investor according to the procedure established by the civil legislation of the Russian Federation.

8. The Investor shall be entitled to demand from the Professional Participant or emitter to present information required under the present Federal Law and other federal laws while buying or alienating the securities and bears the risk of consequences resulting from failure to present such a demand.

#### Article 7. Time Limits for Consideration of Claims and Applications of Investors by the Federal Executive Body in Charge of Securities Market and Other Federal Executive Bodies Supervising the Securities Market

Claims and applications of Investors are to be considered by the federal executive body in charge of securities market and other federal executive bodies supervising the securities market, within time limits not more than two weeks from the date of submission of the claim or application.

#### Article 8. Information for the Investors Issued by the Federal Executive Body in Charge of Securities Market

1. To inform the Investors and warn them of actual or possible offences at securities market, the federal executive body in charge of securities market shall issue information in its official publication on:

revocation or suspension of licences for professional activities at securities market;  
self-controlled organizations of Professional Participants (hereinafter, Self-Controlled Organizations);

penalties imposed by the federal executive body in charge of securities market;  
court rulings in lawsuits filed by the federal executive body in charge of securities market.

2. The federal executive body in charge of securities market shall be obliged to keep information databases containing information open and accessible to any interested party on sanctions taken against parties committing offences at securities market, persons committing such offences, registered emissions of securities, licences issued to them.

#### Article 9. Information for Investors Issued by Federal Executive Bodies in Charge of Registration of Emitted Securities and Licensing of Activities of Professional Participants at Securities Market

1. Federal executive bodies in charge of registration of emitted securities shall be obliged to keep information databases containing information open and accessible to any interested party on

the registered emissions of securities, on cancelled emissions of securities, and on suspended emissions of securities.

2. Federal executive bodies in charge of the licensing of activities of Professional Participants at securities market shall be obliged to keep information databases containing information open and accessible to any interested party on all issued, suspended, and revoked licenses by them.

3. Requirements to the contents and procedure of keeping the information databases indicated in Items 1 and 2 of the present Article shall be provided in the federal laws and other normative acts of the Russian Federation.

#### Article 10. Public Hearings Arranged by Federal Executive Bodies on Execution and Improvement of Legislation of the Russian Federation on Securities

1. The federal executive body in charge of securities market, other federal executive bodies supervising the securities market, tax and law-enforcement bodies shall be entitled to arrange public hearings on the issue of execution and improvement of the legislation of the Russian Federation on securities.

The mentioned hearings shall be arranged at the initiative of the federal executive body in charge of securities market, other federal executive bodies supervising the securities market, tax and law-enforcement bodies, Self-Controlled Organizations of Professional Participants.

2. Decision on arranging a public hearings on the issue of execution and improvement of the legislation of the Russian Federation on securities, on their subjects, on the date of event and composition of participants shall be taken by the heads of the federal executive body in charge of securities market, other federal executive bodies supervising the securities market, tax and law-enforcement bodies or their deputies.

The mentioned public hearings shall adopt recommendations which can be taken into account in the work of the federal executive body in charge of securities market, other federal executive bodies supervising the securities market, tax and law-enforcement bodies and also to prepare proposals on improving the legislation of the Russian Federation.

Recommendations shall be adopted by the majority of participants of public hearings. Recommendations and materials of arranged hearings ought to be published.

If any violations at securities market are revealed during the mentioned public hearings, appropriate proposals are to be sent to the federal executive body in charge of securities market, law-enforcement and other federal executive bodies according to their sphere of reference to initiate legal action envisaged in the legislation of the Russian Federation.

3. The rules for the public hearings on execution and improvement of the legislation of the Russian Federation on securities shall be approved by the federal body which has taken the decision to arrange the mentioned public hearings.

#### Article 11. Rulings of the Federal Executive Body in Charge of Securities Market

1. The rulings of the federal executive body in charge of securities market shall be mandatory for execution by commercial and noncommercial organizations and their officials, independent entrepreneurs, natural persons on the territory of the Russian Federation.

2. The rulings of the federal executive body in charge of securities market shall be taken in issues envisaged in the present Federal Law, other federal laws, and other normative acts of the

Russian Federation to stop and prevent offences at securities market and also in other issues referred to the sphere of reference of the federal executive body in charge of securities market.

Whenever a violation of rights and legitimate interests of Investors by a Professional Participant are revealed, or if activities of a Professional Participant jeopardize the rights and legitimate interests of Investors, the federal executive body in charge of securities market shall be entitled to prohibit or restrict individual operations carried out by the Professional Participant at securities market for the term of up to six months.

3. The rulings of the federal executive body in charge of securities market can be changed or canceled by the federal executive body in charge of securities market pursuant to the coming into effect of the court ruling or at the initiative of the mentioned federal executive body.

#### Article 12. Authority of the Federal Executive Body in Charge of Securities Market in Imposing Penalties

1. The federal executive body in charge of securities market (its regional division) shall be entitled to impose fines on officials amounting to up to 200 minimum wages, on legal entities or independent entrepreneurs, up to 10,000 minimum wages for:

public distribution, advertising, and proposal in any other form of securities and documents certifying pecuniary and other obligations which are not being securities under the legislation of the Russian Federation, in violation of the requirements set forth in Item 1 of Article 4 and Item 1 of Article 5 of the present Federal Law;

failure to present to the Investor information envisaged in Article 6 of the present Federal Law;

carrying out transactions by the Professional Participants with securities the report of the issue of which has not yet been registered;

violation of the procedure and time limits of disclosing (publication) of information by the Professional Participant or issuer, the mandatory disclosure (publication) of which is envisaged in the legislation of the Russian Federation on securities;

violation by the issuer of established requirements to the emission of securities, including transactions conducted by the issuer to sell the suspended securities;

unlawful refusal or avoidance to enter the records in the register of the holders of securities, or entering incorrect information in the mentioned register, or violation of the time limits of handing out the extract from the mentioned register, as well as failure to satisfy or improper satisfaction by the person in charge of the mentioned register of other legitimate demands of the holder of the securities, or person acting on his behalf, or nominal holder of securities;

presenting documents envisaged in the legislation of the Russian Federation on protection of rights and legitimate interests of Investors at securities market containing incorrect information;

impeding a check conducted by the federal executive body in charge of securities market or organization authorized by it;

failure to present by a Professional Participant, issuer, or Self-Controlled Organization at the demand of the federal executive body in charge of securities market information necessary for implementation of activities of the mentioned body and also presenting incorrect information by them;

failure to observe the rulings of the federal executive body in charge of securities market by a Professional Participant, issuer, or Self-Controlled Organization;

promising, in any form, of income from securities to the Investor granted by Professional

Participants if the paying of income on them is not the duty of the emitter;  
impeding implementation of the rights of the Investor on the part of the emitter, record keeper, exerting pressure on the Investor.

2. Procedure for consideration of cases and imposing penalties shall be determined by the acts issued by the federal executive body in charge of securities market.

The decision of the federal executive body in charge of securities market (its regional division) is taken in the form of a fine order being an executive document.

The fine is to be paid within 15 days from the date of receiving of the fine order by the violator. In case of a failure to pay the fine within specified time limits, it can be collected as specified in the execution proceedings of the Russian Federation.

The fine order is mandatory for execution by banks and other credit organizations in compliance with procedure envisaged in the execution proceedings of the Russian Federation.

3. The payment of the fine does not lift the obligation to eliminate the violation from the official, legal entity, and independent entrepreneur.

4. The official, legal entity, and independent entrepreneur shall be entitled to apply to court to cancel or change the fine order.

The fine order shall be appealable within ten days from the date of its adoption.

Submission of the mentioned application suspends execution of the fine order for the period of its consideration in the court till the court ruling comes into effect.

5. The amounts of penalties shall distribute as follows: 20 percent is to be transferred to the federal budget system, 40 percent, to the budget of the subject of the Russian Federation at the place of location of the regional division of the federal executive body in charge of securities market having issued the fine order, 40 percent, to the budget of the subject of the Russian Federation at the place of committing the violation.

#### Article 13. Period of Limitation for Cases of Nullification of Release of Securities

The period of limitation for the cases of nullification of release of securities shall be set to one year from the date when distribution of securities began.

#### Article 14. Protection of Rights and Legitimate Interests of Investors by the Federal Executive Body in Charge of Securities Market According to Court Procedures

1. When disputes arising from claims or applications pertaining to protection of rights and legitimate interests of Investors are considered in court, the federal executive body in charge of securities market may interfere in the process at its own initiative to provide statements for the case to implement its duties and to protect the rights of Investors out of natural persons and interests of the state.

2. To protect the rights and legitimate interests of Investors, the federal executive body in charge of securities market shall be entitled to apply to court with claims and applications:

protecting the state and public interests and interests of Investors guarded by the law;

to liquidate legal entities or discontinue activities of independent entrepreneurs engaged in professional activities at securities market without a licence, to nullify the issue of securities, to invalidate transactions with securities, and also in other cases envisaged in the legislation of the Russian Federation on protection of rights and legitimate interests of Investors at securities

market.

#### Article 15. Protection of Rights and Legitimate Interests of Investors by Self-Controlled Organizations

1. Self-Controlled Organizations according to the present Federal Law, Federal Law "On Securities Market", other normative acts of the Russian Federation, and also pursuant to the rules and standards of their activities, control observation by their participants (members) of the legislation of the Russian Federation on protection of rights and legitimate interests of Investors at securities market.

2. Self-Controlled Organizations may execute control mentioned in Item 1 of the present Article at their own initiative, pursuant to an appeal of the federal executive body in charge of securities market and other federal executive bodies, and also at the claims and applications of Investors.

The forms, time limits, and procedure for executing the mentioned control are defined in constituent documents, rules and standards of operation of the Self-Controlled Organization.

#### Article 16. Procedure for Consideration of Claims and Applications of Investors by a Self-Controlled Organization

1. Self-Controlled Organization shall examine the claims and applications of Investors pertaining to activities of its participant (member), its officials, and specialists according to the procedure envisaged in constituent documents, rules and standards of its activities.

2. As a result of consideration of the claim and application, the Self-Controlled Organization may adopt the following decision:

to apply sanctions against the violator envisaged in the rules and standards of activities of this organization;

to recommend its participant (member) to reimburse the losses incurred on the Investor without applying to court;

to exclude a Professional Participant from its participants (members) and apply to the federal executive body in charge of securities market to take measures to revoke or suspend the licence of the mentioned Professional Participant for professional activities at securities market;

to send the materials of the claim and application for consideration to law-enforcement and other federal executive bodies according to their sphere of reference.

3. Self-Controlled Organization shall be obliged to inform the federal executive body in charge of securities market of the results of consideration of claims and applications of Investors and decisions taken by it.

4. In case of a failure to take measures to satisfy legitimate and justified claims and applications of Investors, violation of the legislation of the Russian Federation on protection of rights and legitimate interests of Investors at securities market, the federal executive body in charge of securities market shall be entitled to apply sanctions against the Self-Controlled Organization envisaged in the Federal Law "On Securities Market" and normative acts of the Russian Federation.

#### Article 17. Compensation and Other Funds of Self-Controlled Organizations

To compensate for the losses incurred on Investors out of natural persons as a result of unlawful activities of Professional Participants out of participants (members) of a



Self-Controlled Organization, the Self-Controlled Organization may create compensation and other funds.

Article 18. Protection of Rights and Legitimate Interests of Investors out of Natural Persons by Their Public Associations

1. Public associations of Investors out of natural persons operating at federal, inter-regional, and regional levels shall be entitled to protect the rights and legitimate interests of Investors out of natural persons in the forms and according to the procedure envisaged in the legislation of the Russian Federation.

2. Public associations of Investors out of natural persons shall be entitled to:

apply to court to protect the rights and legitimate interests of Investors out of natural persons suffering losses at securities market, in compliance with the procedure envisaged in the procedural legislation of the Russian Federation;

control observation of terms of storage and sale of debtor property allocated to satisfy property claims of Investors out of natural persons resulting from unlawful activities at securities market, in compliance with the procedure envisaged in the legislation of the Russian Federation;

create own compensation and other funds to protect the rights and legitimate interests of Investors out of natural persons;

join in associations and unions.

Article 19. Compensation Program for Investors out of Natural Persons

1. To implement the State Program of Protection of Rights of Investors inasmuch as it pertains to paying out compensations to Investors out of natural persons, the Federal Compensation Fund (hereinafter, the Fund) is to be created as a noncommercial organization, the main goals of activities of which being:

paying out compensations to Investors out of natural persons;

creation of information databases and keeping the register of Investors out of natural persons entitled to the mentioned compensations;

representation and protection in court and during execution process of property interests of Investors out of natural persons applying to the Fund, filing suits to protect the rights and legitimate interests of an indefinite number of Investors out of natural persons;

keeping the property allocated to satisfy property rights of Investors out of natural persons and participation in its sale or maintaining control to provide proper storage and selling of the mentioned property during execution process.

Control over monetary resources and other property allocated to pay out compensations to Investors out of natural persons, as well as the keeping of the mentioned property shall be implemented in compliance with the procedure envisaged in federal laws and other normative acts of the Russian Federation.

The charter of the Fund shall be endorsed by the Government of the Russian Federation.

To supervise the activities of the Fund, the Trustee Council of the Fund is to be created, consisting of representatives of the Federal Assembly of the Russian Federation, federal executive body in charge of securities market, other federal executive bodies, Self-Controlled Organizations, public associations of Investors out of natural persons.

The Fund shall report annually on its activities according to the procedure established by the Government of the Russian Federation. The Fund's report is to be released in the publication of the federal executive body in charge of securities market.

2. The Fund shall pay out compensations to those Investors out of natural persons who cannot receive indemnification under court rulings and orders because of the absence of monetary resources and other property with the debtor.

The right to receive compensations shall be granted to Investors out of natural persons suffering losses incurred on them by a Professional Participant licensed for respective professional activities at securities market, and also in cases envisaged in the normative acts of the Russian Federation.

The sources for building up the Fund's resources shall be resources of the federal budget in cases and in compliance with the procedure specified in the Federal Law on the federal budget, and also other sources envisaged in the Fund's charter in compliance with the legislation of the Russian Federation.

#### Article 20. Procedure for Putting into Effect of the Present Federal Law

1. The present Federal Law shall come into effect from the day of its official publication.

2. Article 8 of the present Federal Law shall come into effect upon expiry of six months from the day of coming into effect of the present Federal Law.

3. Item 4 of Article 5 of the present Federal Law shall be in effect before coming into effect of respective amendments to the Federal Law "On Joint-Stock Companies".

4. Article 17 of the present Federal Law shall be in effect before coming into effect of respective amendments in the Federal Law "On Securities Market".

5. To offer the President of the Russian Federation to bring his normative acts in compliance with the present Federal Law within three months from the day of coming into effect of the present Federal Law.

6. To entrust the Government of the Russian Federation to bring their normative acts in compliance with the present Federal Law within three months from the day of coming into effect of the present Federal Law and adopt necessary normative acts pursuant to the present Federal Law.

President of the Russian Federation

B.Yeltsin

Moscow, the Kremlin

March 5, 1999,

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