

PRESS RELEASE

Major EU bank Informs Investors of Missing Russian Shares

17 July 2023 | BETTER FINANCE expresses concern over Deutsche Bank's disclosure of missing Russian shares. The bank recently revealed a shortfall in the shares underlying depositary receipts (DRs), further increasing the challenges for European investors seeking to recover their investments in Russian listed companies, especially individual non-professional ones.

DRs are used in international stock trading as a means to purchase foreign shares that are not listed on domestic exchanges. However, Russia banned DR transactions involving Russian shares due to the Ukraine war, aiming to prevent foreign investors from gaining voting rights and dividends. EU investors were given the choice to sell their DRs or convert them into original shares, although the latter option was limited to those with Russian securities accounts, virtually unavailable for EU individual investors.

While institutional investors have already written off their Russian assets, individual investors are facing significant uncertainties regarding the future of their DRs. While the 11th sanctions package of the EU could have potentially brought clarity to the situation for individual investors by granting authorisation to competent authorities of Member States to approve the conversion of Depositary Receipts (DRs) into Russian shares held at the Russian national settlement agent, Deutsche Bank's recent announcement, unfortunately, confirms the ongoing lack of clarity.

Limited information sharing, stemming from the war and sanctions, hindered the examination of Russian banks' records. Deutsche Bank attributes the shortfall to Moscow's decision to allow investors to convert certain DRs into local stock without the bank's involvement or oversight. Consequently, the bank is unable to reconcile the company shares with the corresponding depositary receipts, potentially impacting the ownership rights of DR holders.

This represents the first formal notification by a major bank, informing investors that they may lose ownership of their entitled shares. Prominent companies such as Aeroflot, LSR Group, Mechel, and Novolipetsk Steel are among those affected.

Arnaud Houdmont, Communications Director at BETTER FINANCE, advises affected investors to closely monitor the situation and advocates for transparency and accountability from all financial institutions involved. He presses on the *“European Union (EU) Authorities to act promptly and safeguard the interests of EU investors who hold shares in listed Russian companies, given the growing concern over the potential misappropriation of assets by Russian entities from their rightful European owners. In light of this, BETTER FINANCE urges the Member States to grant approval for the conversion of depositary receipts held by EU investors and asks banks to actively request such approval from their Member State administrations.”*

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