

# Russian Issuers Edge Closer to Hong Kong Listing Eligibility

Skadden

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If you have any questions regarding the matters discussed in this memorandum, please contact the following attorneys or call your regular Skadden contact.

**Christopher W. Betts**

Hong Kong  
+852.3740.4827  
christopher.betts@skadden.com

**Pranav L. Trivedi**

London  
+44.20.7519.7026  
pranav.trivedi@skadden.com

**Alexey V. Kiyashko**

Moscow  
+7.499.270.2102  
alexey.kiyashko@skadden.com

**Dmitri V. Kovalenko**

Moscow  
+7.495.797.4600  
dmitri.kovalenko@skadden.com

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Four Times Square  
New York, NY 10036  
+1.212.735.3000

[skadden.com](http://skadden.com)

On February 16, 2015, the Central Bank of Russia (CBR) signed the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information developed by the International Organization of Securities Commissions<sup>1</sup> (IOSCO MMoU).

The signing of the IOSCO MMoU allows the CBR to fully participate in IOSCO activities, engage in information exchange with other securities regulators who have signed the IOSCO MMoU, and otherwise benefit from the mutual cooperation with these securities regulators provided by the IOSCO MMoU's framework for enforcing and securing compliance with Russian securities regulations.

CBR's signing of the IOSCO MMoU also is the first milestone toward making it possible for issuers incorporated in or with a "center of gravity" in Russia to list on the Stock Exchange of Hong Kong Limited (HKSE): Under the relevant Hong Kong regulations (Joint Policy Statement)<sup>2</sup>, the signing of the IOSCO MMoU by the securities regulator of a relevant country (in the case of Russia, CBR) is a condition for such issuers to seek a listing on the HKSE. (The only precedent of the HKSE's listing of a Russian business to date was the listing of UC RUSAL Plc, a company incorporated in Jersey, which was conducted before the Joint Policy Statement was issued.)

Though an important development for Russian and Hong Kong capital markets, the signing of the IOSCO MMoU is only the initial step in the HKSE listing process for Russian issuers. The first Russian issuer to seek listing on the HKSE will need to apply to the HKSE and the Securities and Futures Commission of Hong Kong (SFC) to have Russia approved as an "acceptable overseas jurisdiction" prior to submitting its formal application to list on the HKSE. This process will require demonstrating to the HKSE and SFC that Russian laws, rules and regulations, as well as relevant constitutional documents and the arrangements the issuer has adopted, are comparable to the key shareholder protection standards in Hong Kong. As with any company seeking to list on the HKSE, once Russia is on the list of "acceptable overseas jurisdictions," any Russian listing applicant also will need to meet both the objective criteria in the HKSE's listing rules as well as the subjective tests applied by the HKSE (whether the company is "suitable for listing") and the SFC (whether the listing would be in the interest of the Hong Kong investing public).

Skadden has conducted a preliminary analysis on the comparability of principal shareholder protection standards in Hong Kong and Russia and has not identified any major disparities that cannot potentially be addressed. We also closely monitor and keep regular contact with the HKSE regarding the developments of the requirements and procedures for listing of Russian companies in Hong Kong.

<sup>1</sup> IOSCO is the international body that develops, implements and promotes adherence to internationally recognized standards for securities regulation. IOSCO MMoU sets forth a common understanding among its signatories — securities regulators from over 100 countries — of how they should consult, cooperate and exchange information for the purpose of regulatory enforcement regarding securities markets.

<sup>2</sup> The Joint Policy Statement on the Listing of Overseas Companies issued by the HKSE and the Securities and Futures Commission of Hong Kong, Sept. 2013.