

# SEC Reporting & Compliance Alert

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## Recent Developments Regarding Admission of US Companies to Russian Stock Exchanges

In April 2018, the Moscow Exchange, reportedly the largest exchange in Russia, announced that it intends to admit securities of approximately 50 major U.S. and other foreign companies to public trading in the non-quotation section of the list of securities admitted to trading. The intent of this move is apparently to provide Russian investors with access to a wider range of financial instruments.

Under Russian securities laws, a Russian stock exchange can unilaterally admit foreign securities to trading without the consent of the issuer of such securities. In the last several years, the St. Petersburg Stock Exchange admitted securities of a number of foreign companies to trading in a similar fashion.<sup>1</sup> Importantly, in the event of such unilateral listing by a Russian stock exchange, responsibilities for public reporting and disclosure requirements, and associated costs, rest with the Russian stock exchange, and issuers of the relevant securities are relieved from such responsibilities and costs.

While the announced admission is expected to occur in the third quarter of 2018, on May 21, 2018, the Moscow Exchange began permitting Russian market participants to conduct repurchase agreement operations, or “repo transactions,” with shares of 10 highly liquid U.S. companies.<sup>2</sup> Without access to repo transactions, Russian investors of such securities must rely on intermediaries, subsidiaries of foreign banks and foreign subsidiaries of Russian brokers, which may delay liquidity. The availability of the repo market is intended to, among other things, allow clients of the Moscow Exchange to use the shares of the companies noted above as collateral to enhance liquidity.

Although this announcement does not mean that such securities are admitted to trading on the Moscow Exchange, establishing access to the repo market may be a step in that direction, particularly given that almost all of these securities are already admitted to trading on the St. Petersburg Stock Exchange. Similar to an admission to the non-quotation section, it is permissible under Russian securities laws to admit

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<sup>1</sup> For additional information, please see our November 25, 2014, client alert, “[St. Petersburg Stock Exchange — Listing Notice](#).”

<sup>2</sup> These companies include Alphabet, Amazon, Apple, Facebook, McDonald’s Corporation, Microsoft Corporation, NIKE, NVIDIA Corporation, Tesla and Twitter.

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foreign securities to the repo market on a Russian stock exchange without the consent of the issuer of such securities. In addition, there are no public reporting or disclosure requirements applicable to issuers of such underlying securities or the Russian stock exchange, if such securities are admitted to the repo market. Furthermore, issuers also are not responsible for costs associated with the repo market.

Given the level of activity involving the admission of foreign securities to trading by Russian stock exchanges since 2014, we expect that some or all of the companies mentioned above may receive notice of admission from the Moscow Exchange in the near future.

Please contact us if you have received correspondence from a Russian stock exchange and have questions about how to best proceed. Consistent with our guidance from 2014, we expect that the Moscow Exchange will not be amenable to ceasing the admission of foreign securities to trading, given the current regulatory framework and market forces described above.