

# Central Bank of Russia announces relaxation of certain requirements for the placement and circulation of shares outside of Russia

15 July 2021

## What's it all about?

In order to support the liquidity on the Russian stock market, Russian securities laws have historically provided for certain caps on the number of shares of Russian issuers that could be offered for placement and/or circulation outside of Russia (whether directly or by way of offering of depository receipts representing such shares).

The scope of the relevant caps has varied since their initial implementation in early 2000s with the caps as they currently stand being as follows:

- the number of shares of a Russian issuer being offered / admitted to trading outside of Russia shall not exceed 25 per cent. of all shares of the same category (the “**Volume Cap**”); and
- the number of shares offered outside of Russia shall not exceed 50 per cent. of the aggregate number of shares that are being offered (the “**Proportion Cap**”).

## What's new?

On 13 July 2021, the Central Bank of Russia announced its intention to repeal the Volume Cap and the Proportion Cap and published a draft of the relevant regulation (the “**Draft Regulation**”) on its website for public consideration<sup>1</sup>.

In its press-release the regulator cited the stable inflow of liquidity of the dual-listed shares into Russian market, with the number of transactions in such shares executed on the Russian market increasingly growing, and that the change is looking to remove additional barriers for Russian issuers seeking to offer their equity outside Russia. It should be noted, however, that, in the past, a number of Russian businesses have structured their offerings as the sale of shares in an offshore holding company which resulted in the caps discussed above not being relevant.

The remainder of the statutory pre-requisites for the placement and/or circulation of shares outside of Russia (e.g., registration of the share issue, shares being included in a quotation list of a Russian stock exchange etc.) currently remain intact.

The Draft Regulation is currently silent on the grandfathering of the existing permits, but one would expect that the disapplication discussed above should equally apply to both the existing and the newly issued permits.

## What's next?

As noted above, the Draft Regulation would remain open to public comments until 26 July 2021 with the relevant changes expected to come into force at some point until the end of the year.

## Contacts



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<sup>1</sup> <http://cbr.ru/press/event/?id=11040>