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МЕЖДУНАРОДНОГО
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Listing in Kyrgyzstan for Easy Access to the Russian Investment Market

Listing at the KSE provides a **'backdoor' entry to the Russian investment market** which taps into the multi-billion dollar savings of the Russian population (144 million people), most of whom are de-facto barred from investing offshore. Securities listed on the KSE can be **accepted for listing at any Russian stock exchange** without the need for the approval of the Russian securities market regulator (the Central Bank of Russia). The legal basis for that privilege is the Central Bank of Russia Directive of 28 January 2016 N 3949-U which included the KSE into the list of exchanges whose listing is sufficient for an approval-free secondary listing in Russia.

One of the positive consequences of Kyrgyzstan's membership in the Customs Union (which includes Russia, Belarus, Kazakhstan and Armenia) is that Russia agreed to allow Kyrgyz-listed companies easier access to the Russian investment market. It is indeed a great shortcut for anyone wishing to tap the investment potential of Russian investing public because Russian domestic rules on raising capital are quite strict and bureaucratic.

The general rule is that any foreign-issued security needs to be first agreed by the Central Bank of Russia in order to be accepted for listing by one of the Russian exchanges. For example, an exchange in Saint Petersburg once procured such an approval for Facebook and Apple shares.

Obtaining a public distribution approval and an exchange listing in Kyrgyzstan is much easier than in the Russian Federation. An obvious regulatory arbitrage can be thus gained.

Not only Kyrgyz-issued securities can be listed on the Kyrgyz Stock Exchange. Non-Kyrgyz securities can qualify too, provided the local regulator is satisfied that their documentation fits the legally prescribed requirements. Thus, securities issued by non-Kyrgyz issuers, such as, for example, shares in offshore funds, can gain exposure to the Russian investing public through Kyrgyzstan.

The privilege available for Kyrgyz-listed securities applies not only to securities with a primary listing on the KSE. It follows from the relevant provision of the Russian law that the KSE listing can be secondary and still qualify the security for a Central Bank approval-free listing in Russia. Also, Kyrgyz legislation governing the acceptance of foreign securities for local distribution and listing allows unsponsored listing of foreign securities. A combination of these legal provisions creates an easy route for any foreign-listed security to be legally traded on Russian exchanges.

Additional benefits

Besides easing the way for the issuers geared to reach out to the Russian investors, a Kyrgyz listing provides a number of other benefits:

- Liberal listing rules of the Kyrgyz Stock Exchange can offer a great solution to privately held startups wishing to gain a bigger exposure to global investors. By listing on the KSE a startup company can reach out to potential investors from out of Kyrgyzstan (local distribution in other countries will still be subject to local securities laws) and market their investment opportunity. Listing on the KSE is thus a very good regulated alternative to raising capital through unregulated 'initial coin offerings' or other unregulated forms of crowdfunding. Should the issuer still wish to avail 'crypto-investors' the opportunity to pay cryptocurrencies for the issued securities and/or hold a crypto-token instead of a regular security, Kyrgyz law and several locally operating broker-dealers can provide legally compliant solutions to achieve this.
- Listing Russian project-linked debt on the KSE can be a way to export interest payable by the Russian borrower offshore free from the Russian withholding tax on interest. We discuss this opportunity in more detail in «A Gateway to Tax-Free Financing of Projects in Russia».
- Listing equity on the KSE provides a privacy-enhanced investment and holding vehicle for those seeking law-compliant privacy in today's very transparent world. Beneficiary disclosure rules in many countries do not require the disclosure of beneficiaries of publicly listed companies on top of what is routinely disclosed in accordance with the listing rules of the exchange.