

Press Release of WEISSWERT Rechtsanwaltsgesellschaft mbH

Sanctions against Russia: ADR investors fear for their investments in Moscow - now there is hope for the protection of investments worth billions of dollars

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On behalf of numerous investors from Germany and other European countries, the Stuttgart-based law firm WEISSWERT Rechtsanwaltsgesellschaft mbH ("WEISSWERT") has achieved a success in Moscow under difficult legal and political conditions: Certificates based on Russian shares have been successfully converted into original shares for foreign investors.

The conversion was of utmost importance for the protection of the assets of the foreign investors. Foreign investors regularly do not own the original shares of Russian issuers. They only own certificates based on those original shares, so-called American Depositary Receipts ("ADR") or Global Depositary Receipts ("GDR").

In the past, the acquisition of ADRs has been convenient for foreign investors: by purchasing ADRs, foreign investors could invest in Russian corporations such as Gazprom without the companies having to be listed on foreign stock exchanges. Increased transaction costs could be avoided. Foreign banks, especially from the U.S., therefore put ADRs into circulation worldwide, while the shares underlying the ADRs were held at custodian banks in Russia. In this way, global trading in shares of Russian issuers was greatly facilitated.

But ADR holders have to fear considerable disadvantages now. The European Union has sanctioned trading in Russian securities. Russia has required numerous Russian companies to terminate their ADR programs. "Against the background of the legally and politically difficult situation, ADR holders who do not manage to exchange their ADRs for original shares in time must fear forced sales and huge losses," explains WEISSWERT attorney Maximilian Weiss.

The now successful investors, who were able to convert their ADRs into shares, can breathe a sigh of relief: By converting their ADRs into original Russian shares, the investors were able to successfully prevent the threatened forced sale of their investments. In addition, the conversion of ADR into original shares means that investors are now entitled to receive dividends, which they did not have before.

"The conversion was a real challenge. We had to constantly adapt to new rules while observing sanctions imposed by the EU, the USA and Russia. Many investors failed to convert their ADRs. However, I am all the more pleased that we were able to lead all of our proceedings for conversion in Moscow to success," explains Weiss.

It is a first success for investors. However, investments of foreign investors amounting to many billions of US dollars are still at risk. Not only institutional investors, but also tens of thousands of private investors are affected by the ADR issue - and thus continue to fear for their investments. Among others, they are invested in the Russian corporations Gazprom, Lukoil or Nornickel.

"In the past, numerous investors traveled personally to Russia with the aim of protecting their investments on site by approaching local custodian banks. Particularly at Gazprombank in Moscow, adventurous scenes took place on a daily basis and for weeks," says Maximilian Weiss, who represents many German and foreign investors in the matter. "In the early morning hours before the opening of the only Gazprombank branch responsible for the conversion of Gazprom shares, long queues formed, with lawyers and foreign investors."

The situation remains difficult for investors who have been unsuccessful so far and who continue to hope to convert their ADR investments for shares. Issuers of ADR have closed the books on conversion. Deadlines for the compulsory conversion, an alternative procedure in Russia, have expired. A conversion into original shares is thus once again ruled out for numerous ADR holders.

But there is hope: "The Duma has now passed a new law on the basis of which it will once again be possible to convert ADRs into shares," explains WEISSWERT attorney Maximilian Weiss. The law is expected to come into force in January 2023. "That's when the clock is ticking. It is probably the last chance for many investors to protect their investments and convert ADR," Weiss continues. A statutory period of 120 days is to be expected within which investors must make arrangements, he said.

Investors can receive more [information about the conversion of ADR](#) at WEISSWERT.

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WEISSWERT is a Stuttgart-based law firm specializing in banking law and capital markets law with experience in pursuing complex litigation. WEISSWERT was founded in 2022 by Maximilian Weiss, an attorney specialized in investment-related disputes. The firm's mission is to rigorously represent investors' interests at the highest level of legal competence, whether in- or out-of-court, throughout Germany or internationally.