

Which market?

An overview of London,
New York and Hong Kong
stock exchanges

Capital Markets

The process of selecting the most appropriate exchange for your business to list its shares is challenging and complex. Understanding the differences among global exchanges and determining the exchange that best fits the unique needs of your business are key aspects of a successful listing





Where to list

In recent years, a number of factors have been driving an upward trend in global equity issuance. As markets and businesses become increasingly global, the decision of choosing the most appropriate exchange becomes more challenging. A number of factors must be considered in determining the best option, and planning early can help your company comply with listing and regulatory requirements.

To help you determine which option is best for your company, we have highlighted some of the factors to consider and explained some of the high-level differences among the largest stock exchanges located in London, New York and Hong Kong.

Some factors to consider include:

Admission / eligibility criteria	<ul style="list-style-type: none">• This criteria may be difficult to achieve as the pre-listing regulatory review requirements vary by market.• Costs of listing vary in each market.
Valuation	<ul style="list-style-type: none">• Certain industries and types of companies may achieve favorable valuations in certain markets, due to competitors and other recent listings of peer companies.
Location of holding company and trading operations	<ul style="list-style-type: none">• The company's core business locations may affect the appetite for its equity, often driving a domestic listing.• The stage of development of your business may make it more suitable for a particular market. A company wishing to enter a new market or gain greater recognition in that market may choose to list in that market as a way to get exposure to new customers, vendors and shareholders.• Taxation considerations can impact the location of the holding company.
Market and stakeholder relations	<ul style="list-style-type: none">• Investor and analyst briefings, as well as interest in the business, can vary in different locations.• Expectations of other stakeholders, such as bankers and employees, can be a factor.
Continuing obligations	<ul style="list-style-type: none">• Differences exist in post-listing compliance obligations among markets and may have varying cost implications, for instance, requirements related to XBRL, semi-annual and other interim reporting and reporting on internal controls.• Markets' regulatory frameworks, including corporate governance requirements, may have business implications.
Other factors	<ul style="list-style-type: none">• Trading volumes and liquidity of the underlying shares can vary in different locations.• Proceeds in the acquisition currency may be required for business development in certain locations.• In certain locations there is more than one market. Which one is most suitable for your company?• If inclusion in market indices is important, this may restrict the market choices available.• Employees may desire options in a particular market.

Overview of key regulatory requirements

	LSE (Premium Listing)	NYSE
Initial listing criteria		
Sponsor¹	Required	Not required
Audited track record	3 years audited accounts, no more than 6 months old	3 years audited accounts, no more than 9 months old. For emerging growth companies (EGCs) under the JOBS Act, 2 years of audited financial statements are permitted
Accounting standard	EU IFRS or IFRS equivalent for non-EU issuers	US GAAP or IFRS
Financial criteria	At least 75% of the entity's business must be supported by a revenue earnings track record for the 3 year period (some dispensation for specific industries e.g. mining) Minimum market cap at admission – £700,000	Company needs to meet one of the financial criteria: i) Income before tax from continuing operations and after minority interest, amortisation and equity in earnings or losses of investees (subject to certain adjustments) must total at least • US \$10m in aggregate for last 3 fiscal years, together with a minimum of US \$2m in each of the 2 most recent fiscal years, and positive amounts in all 3 years OR • US \$12m in the aggregate for the last 3 fiscal years, together with a minimum of US \$5m in the most recent fiscal year and US \$2m in the next most recent fiscal year ii) Issuer must have at least • US \$500m in global market cap, • US \$100m in revenues during the most recent 12 month period, and • US \$25m in aggregate cash flows for the last 3 fiscal years with positive amounts in all 3 years (subject to certain adjustments) OR • US \$750m in global market cap, and • US \$75m in revenues during the most recent fiscal year iii) Issuer must have at least • US \$150m in global market cap, and • US \$75m in total assets together with at least US \$50m in stockholders' equity (in each case subject to certain adjustments)
Profit forecast	Optional ³	No requirements
Working capital statements	Covering 12 months	Not required
Ownership of assets	Control over the majority of assets for the 3 year period	No requirements
Minimum number of shareholders	No requirements	400 round lot ⁴ shareholders
Minimum free float (or public float)²	25% of class of shares listed	1,100 thousand shares
Internal controls/ financial reporting procedures	Sponsor's declaration on adequacy of financial reporting procedures, with the private reporting accountant's report	CEO / CFO certification of effectiveness of internal controls over financial reporting, with the external auditor's attestation report in the second annual filing. Emerging growth companies may elect to follow an extended phase – in period of up to five years on the requirement of an auditor's attestation report on internal controls
Regulatory and ongoing obligation requirements		
Special criteria for international issuers	<ul style="list-style-type: none"> Non-UK incorporated companies must have more than 50% free float for FTSE UK indices inclusion If 200 or more shareholders or 10% or more shares held by UK shareholders, required to appoint a registrar in the UK 	<p>A Foreign Private Issuer must be:</p> <ul style="list-style-type: none"> a foreign (non-US), non-government issuer 50% of outstanding voting securities or less held by US residents - if more than 50%, must not <ul style="list-style-type: none"> have a majority of its directors who are US residents have more than 50% of its assets located in the US administer its business principally in the US Different minimum distribution requirements, market value requirement and financial standards are applied (5,000 round lot shareholders, at least 2.5m publicly held shares worldwide with market value at least US\$ 100m) Must register the class of securities it intends to list with SEC by filing a registration statement (Form 20-F)⁵
Financial reporting requirements	<ul style="list-style-type: none"> Annual Half-yearly Interim management statement 	<ul style="list-style-type: none"> Annual Quarterly⁵
Regulatory authority	FSA / UKLA	SEC
Major transaction pre-approval by the shareholders	Approval is required for significant (>25%) acquisitions and disposals and material (>5%) related party transactions	<ul style="list-style-type: none"> Issuances resulting in a change of control Equity compensation plans Prior to the issuance of securities in any transaction to a director of the company, subsidiary, affiliate or other closely related person of a Related Party; or any company or entity in which a Related Party has substantial interest Prior to the issuance of securities in any transaction if the voting power is ≥ 20% of the voting power outstanding before the issuance or ≥ 5% of the pre-transaction outstanding shares (under certain conditions approval is not required)

¹ A number of advisors will be involved in helping you successfully list your company. The Sponsor is typically the appointed investment bank that co-ordinates the overall project management of the IPO process.

² Free float is the number of company shares traded on a market that are held by investors likely to be willing to trade.

³ If the company chooses to include a profit forecast, the listing registration document must contain the principal assumptions upon which the company

NASDAQ (Global Select)	HKEX (Main Board)
Not required	Required
3 years audited accounts, no more than 9 months old. For emerging growth companies (EGCs) under the JOBS Act, 2 years of audited financial statements are permitted	3 years audited accounts, no more than 6 months old
US GAAP or IFRS	HK FRS, IFRS, CASBE (for PRC issuers only), US GAAP or other accounting standards may be accepted in certain circumstances
<p>Company needs to meet one of the financial standards:</p> <p>i) • Minimum income from continuing operations before income taxes of: – US \$11m over prior 3 fiscal years in aggregate, and – US \$2.2m in each of the 2 most recent fiscal years, • Positive income from continuing operations before income taxes in each of the prior 3 fiscal years, and • Bid price - US \$4</p> <p>ii) • Minimum total revenue in the previous fiscal year – US \$110m, • Minimum average market cap over the prior 12 months – US \$550m, • Minimum cash flows of US \$27.5m over the prior 3 fiscal years in aggregate, • Positive cash flows in each of the prior 3 fiscal years, and • Bid price - US \$4</p> <p>iii) • Minimum total revenue in the previous fiscal year – US \$90m, • Minimum average market cap over the prior 12 months – US \$850m, and • Bid price - US \$4</p> <p>iv) • Minimum average market cap at the time of listing – US \$160m, • US \$80m of total assets and US \$55m of stockholders' equity in the most recent publicly reported financial statements, and • Bid price - US \$4</p>	<p>Company needs to meet one of the financial criteria:</p> <p>i) • Profit of at least HK \$20m for the most recent financial year, • Profit in aggregate of at least HK \$30m for the two preceding financial years, and • Market cap of at least HK \$200m at time of listing</p> <p>ii) • Market cap of at least HK \$2bn at time of listing, • Revenue of at least HK \$500m for the most recent financial year, and • Positive operating cash flows of at least HK \$100m in aggregate for 3 financial years</p> <p>iii) • Market cap of at least HK \$4bn at time of listing, and • Revenue of at least HK \$500m for the most recent financial year</p>
No requirements	Optional ³ Private profit forecast memorandum for the remainder of the financial year required to be submitted to HKEX for review
Not required	Covering 12 months
No requirements	Ownership continuity for at least the most recent audited financial year
450 round lot ⁴ shareholders or 2,200 total shareholders*	300
1,250 thousand shares, US \$45m market value of publicly held shares*	25% or at least HKD 50m; if market cap. > HKD 10bn, can be reduced to 15%
CEO / CFO certification of effectiveness of internal controls over financial reporting, with the external auditor's attestation report in the second annual filing. Emerging growth companies may elect to follow an extended phase – in period of up to five years on the requirement of an auditor's attestation report on internal controls	Sponsor's declaration on adequacy of financial reporting procedures, supported by private internal controls consultant's report
<p>A Foreign Private Issuer must be:</p> <ul style="list-style-type: none"> • a foreign (non-US), non-government issuer • 50% of outstanding voting securities or less held by US residents - if more than 50%, must not <ul style="list-style-type: none"> - have a majority of its directors who are US residents - have more than 50% of its assets located in the US - administer its business principally in the US <p>Must register the class of securities it intends to list with SEC by filing a registration statement (Form 20-F)</p>	<ul style="list-style-type: none"> • Must be incorporated in an "acceptable jurisdiction" assessed on a case-by-case basis • Must appoint a process agent in HK to accept notices • Must appoint at least one authorized representative as the principal channel of communication between foreign issuer and HKEX • Must keep a register of holders in HK for transfers to be registered locally (not required for listing of depository receipts) • Must be registered as a non-HK company under the HK Companies Ordinance
<ul style="list-style-type: none"> • Annual • Quarterly⁵ 	<ul style="list-style-type: none"> • Annual • Half-yearly • Quarterly (optional)
SEC	HKEX, Securities and Futures Commission (SFC)
<ul style="list-style-type: none"> • Acquisitions where the issuance \geq 20% of the pre-transaction outstanding shares, or \geq 5% of the pre-transaction outstanding shares when a related party has a 5% or greater interest in the acquisition target • Issuances resulting in a change of control • Equity compensation plans • Private placements where the issuance (together with sales by officers, directors, or substantial shareholders, if any) \geq 20% of the pre-transaction outstanding shares at a price less than the greater of book or market value 	Approval is required for major and very substantial (>25%) acquisitions and disposals and large (>5%) connected party transactions, subject to certain exemptions

has based its forecast and be publicly reported upon by the independent accountant.

⁴ Round lot is the term used for a normal unit of trading, which is 100 shares.

⁵ Foreign private issuers are not required to file quarterly reports, however, many FPIs follow market practice and publish quarterly reports voluntarily.

* These are liquidity requirements for IPOs on NASDAQ Global Select market.

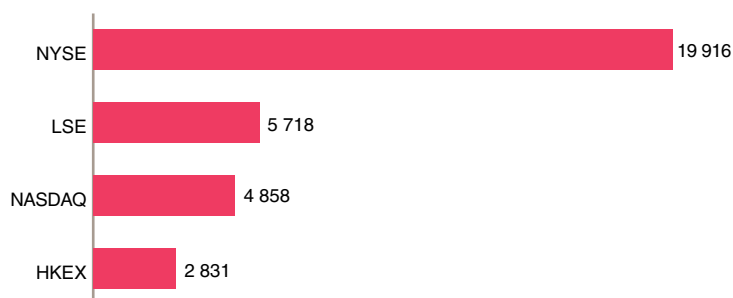
Stock exchanges overview and vital statistics

Stock exchange	Overview	Market	Admittable securities	Main indices
London Stock Exchange (LSE)	<p>The LSE's Main Market is the principal market for UK and international listed companies, from all industries and sectors.</p> <p>The Main Market accommodates the admission of companies to trading on the Premium, High Growth Segment or Standard markets (equity or Global Depositary Receipts (GDRs)).</p> <p>A Premium Listing entails higher compliance and disclosure requirements than the EU minimum standards for High Growth Segment and Standard Listings (equity or GDRs).</p>	Main	<ul style="list-style-type: none"> Equities DRs 	<ul style="list-style-type: none"> FTSE series – open to international issuers FTSE 100 FTSE 250 FTSE All-Share FTSE techMark FTSE Russia IOB – top 15 Russian GDRs
	<p>AIM is the LSE's international market for smaller high growth companies.</p>	AIM	<ul style="list-style-type: none"> Equities 	<p>The FTSE AIM Index Series includes</p> <ul style="list-style-type: none"> FTSE AIM UK 50 Index, FTSE AIM 100 Index, FTSE AIM All-Share Index FTSE AIM All-Share Supersector Indices
NYSE Euronext (US)	<p>The NYSE is owned and operated by NYSE Euronext, it represents one-third of the world's equities trading.</p>	NYSE	<ul style="list-style-type: none"> Equities DRs 	<ul style="list-style-type: none"> Dow Jones Industrial NYSE Composite NYSE U.S. 100 S&P 500
NASDAQ OMX	<p>NASDAQ is known for attracting high growth companies in particular in the technology sector, including bio-technology and bio-pharmaceuticals. There are three different markets within NASDAQ: NASDAQ Global Select Market, NASDAQ Global Market and NASDAQ Capital Market. NASDAQ Global Select Market prescribes the highest initial listing requirements.</p>	NASDAQ	<ul style="list-style-type: none"> Equities DRs 	<ul style="list-style-type: none"> NASDAQ 100 NASDAQ OMX 100 NASDAQ Global Select Market composite S&P 500
Hong Kong Exchange (HKEX)	<p>The HKEX Main Board is suitable for established companies that meet profit or other financial requirements.</p>	Main	<ul style="list-style-type: none"> Equities DRs 	<ul style="list-style-type: none"> HangSeng Index
	<p>The Growth Enterprise Market (GEM) is designed for growth companies.</p>	GEM	<ul style="list-style-type: none"> Equities 	

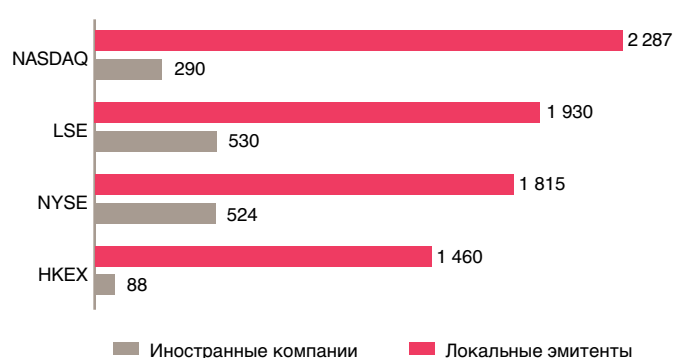
Source: World Federation of Exchanges, exchange statistics, Dealogic, Thomson One



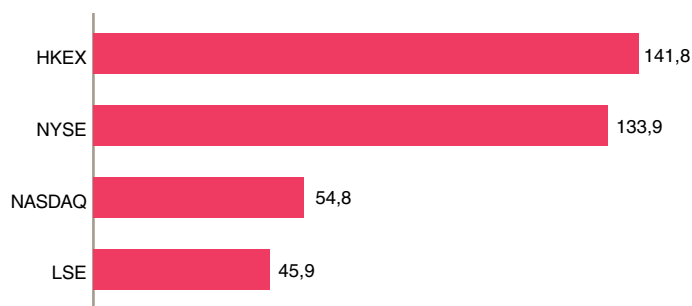
Total market capitalisation as at 31 December 2012 (US \$bn)



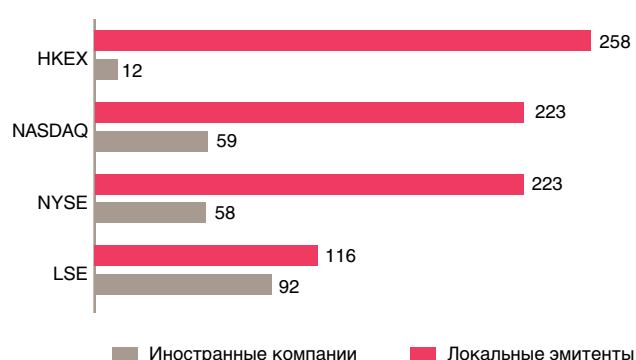
Number of listed companies as at 31 December 2012



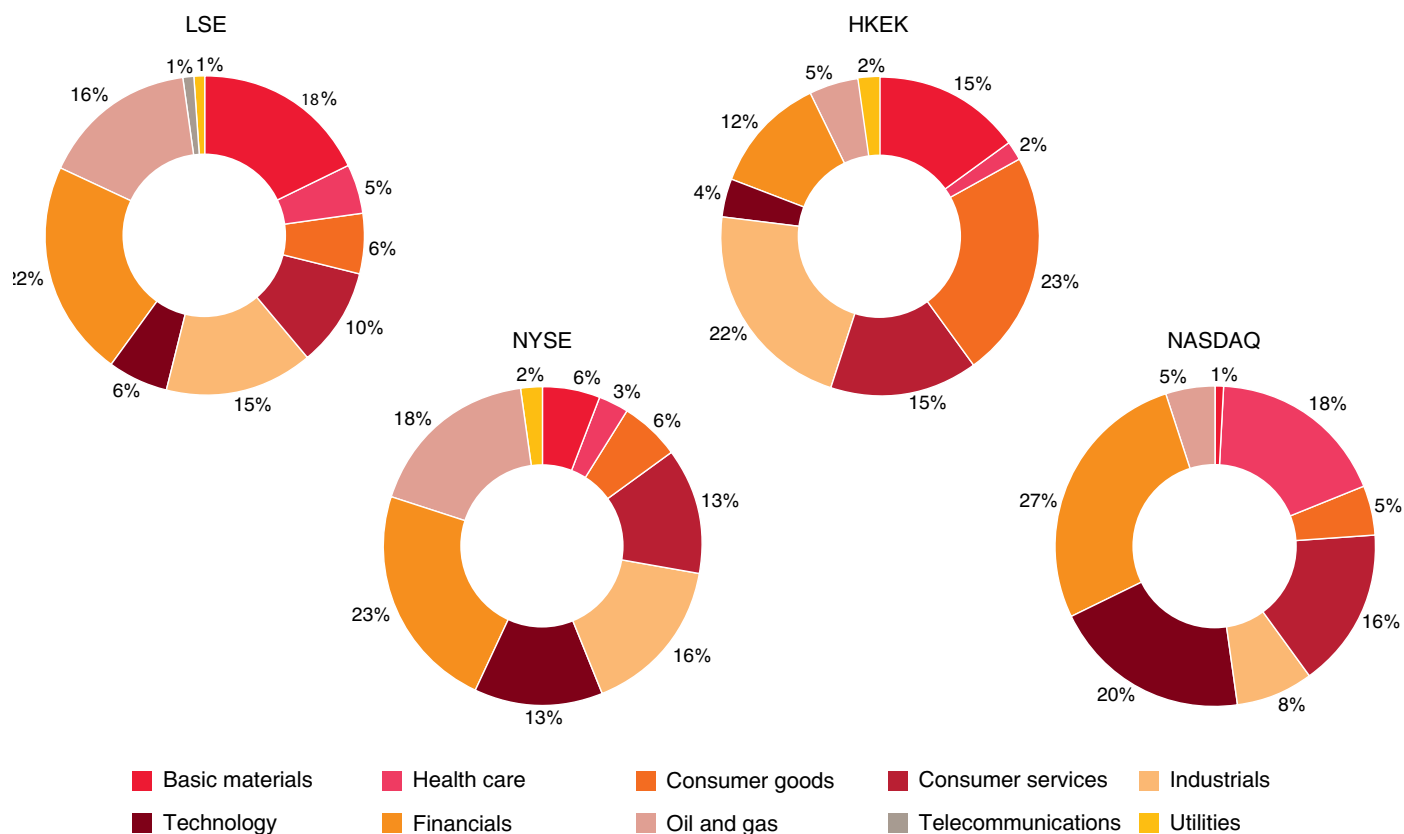
Total money raised at admission during the five years ended at 31 December 2012 (US \$bn)*



Number of listed companies during the five years ended December 2012*



Sector split by number of IPOs during the five years ended 31 December 2012*



* Closed-end funds excluded

Source: Federation of Exchanges, exchange statistics, Dealogic, Thomson One

Other considerations

While the key considerations we have discussed in this document will be your primary decision factors when considering “which market,” there are other less tangible factors that may also play a role, such as:

- Political environment
- Commercial / business environment
- Location of existing stakeholders
- Domestic regulatory environment
- Personal preferences of current shareholders
- The equity story to be told / the “value proposition”
- Longer term plans
- Taxation implications
- Listing currency considerations

Because of these many and varied factors, the decision as to which market to select can be complex.

Engaging experienced advisors with a global presence and knowledge of the capital markets can help you determine the market that is best suited to your needs, anticipate issues, avoid delays and otherwise navigate successfully through the life cycle of your capital market transaction.

Using an advisor who is experienced with the multiple elements of the transaction process, along with having the ability to advise on technical accounting and financial reporting complexities associated with the process of going public, will allow you to focus more time on the marketing phase of the deal and ongoing management of your business.

To talk more about your company’s capital market needs, please contact your PwC relationship partner or learn more at www.pwc.ru/capital-markets