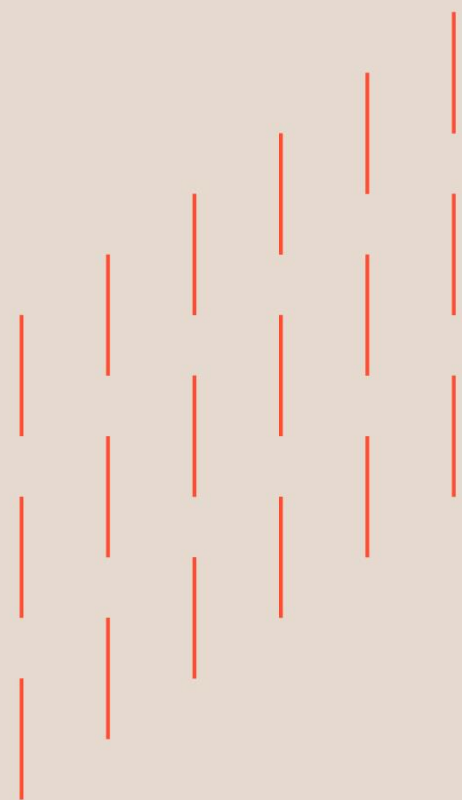


Counter-Sanctions Summary

Updated as of July 21, 2022

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Password to view translations of laws
and regulations available in ALRUD VDR
via links in this presentation –
CsC032022

Overview

Russian counter-sanctions consist of measures that have been taken in response to the actions of “unfriendly” countries. Such measures include:

- The prohibition or need for approval of certain transactions (operations) with foreign currency or foreigners
- A special procedure for debt repayment, including under gas supply contracts
- Import and export bans
- Restrictions on access to Russia’s inland waters and sea ports
- Sanctions on individuals
- Parallel imports and special procedure of performance of obligations under IP contracts
- A moratorium on bankruptcy
- Administrative and criminal liability for discrediting the Armed Forces and calls for restrictive measures
- Possible changes to the rules of civil law
- The external administration of companies that leave the Russian market or suspend their activities
- The exclusive jurisdiction of Russian state courts over sanctions-related disputes

A stack of several coins is shown in a close-up, shallow depth-of-field shot. The coins are slightly out of focus, with the top one being the most prominent. The background is a soft, warm, golden-brown color, suggesting a light source from the side. The overall mood is one of financial stability or investment.

|| Russian counter-sanctions

Counter-Sanctions Law (1)

Federal Law No. 127-FZ "On Measures (Countermeasures) in Response to the Unfriendly Actions of the USA and/or Other Foreign States" dated June 4, 2018 ("**Counter-Sanctions Law**")

Target of the counter-sanctions:

- "Unfriendly" states
- Citizens and officials of "unfriendly" countries
- Legal entities under the jurisdiction of "unfriendly" countries
- Entities directly or indirectly **controlled by** or **affiliated** with "unfriendly" countries

Note: The term "unfriendly states" is usually interpreted as the USA and other foreign states that have imposed unilateral sanctions or other restrictions against the Russian Federation, citizens of the Russian Federation, or Russian legal entities. For the purpose of the most recent counter-sanctions, the Russian government has adopted [a separate list](#) of targeted countries to avoid any misunderstanding.

Note: Current judicial practice states that a controlled entity can be a company whose CEO is included in the sanctions list, as well as a state-owned enterprise in which a full participant has been sanctioned.

Counter-Sanctions Law (2)

Grounds: “unfriendly” activities, including involvement in such activities, against Russia, Russian citizens, and legal entities incorporated under Russian law

Note: Extremely broad wording that allows for implementing measures independently

Some of the counter-sanctions specifically include a ban on or the restriction of*:

- International cooperation with the sanctioned entity
- Import of products and/or materials from the sanctioned entity to Russia
- Export of products and/or materials from Russia to the sanctioned entity
- The performance of work or rendering of services by the sanctioned entity for the Russian state authorities and state-owned corporations
- Access of the sanctioned entity to participation in the privatization of Russian state and municipal property, as well as the performance of work on respective projects.

**The list of measures is open-ended and may be extended by the Russian president*

Counter-Sanctions Acts: February 2022 (1)

Number	79	Date	February 28, 2022
Type	Decree	State authority	President of the Russian Federation
Name	<u>On the Application of Special Economic Measures in Connection with the Unfriendly Actions of the United States of America and Foreign States and International Organizations That Have Joined Them</u>		

Summary: The act introduces restrictions on foreign exchange transactions that aim to balance the ruble's exchange rate versus other currencies

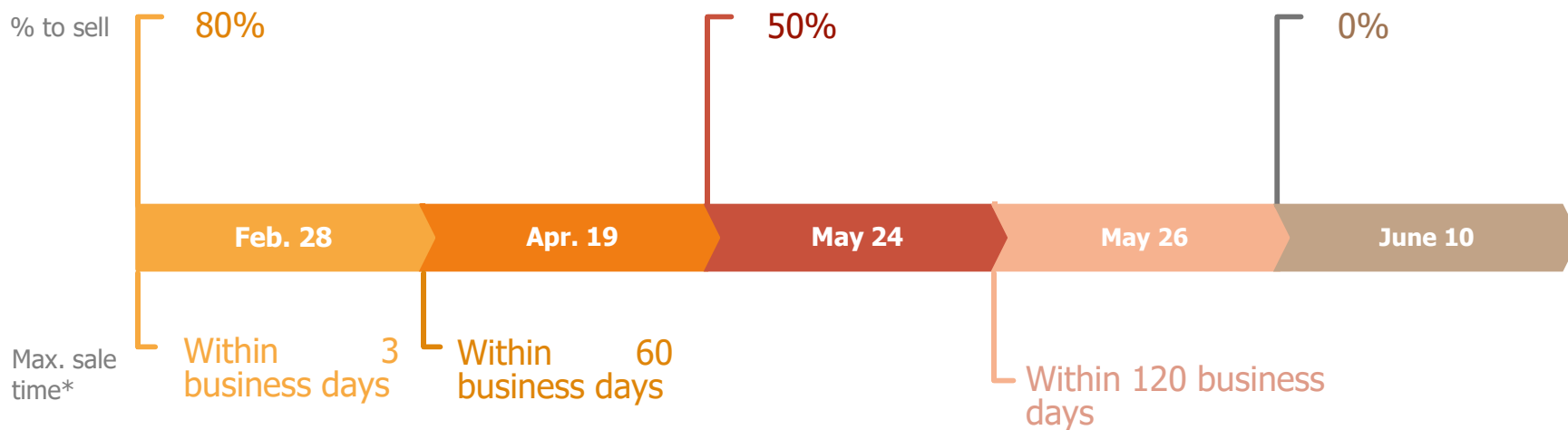
Counter-Sanctions Acts: February 2022 (2)



KEY PROVISIONS

1. FOREIGN EXCHANGE EARNINGS

- Residents should sell foreign currency earnings received under **foreign trade contracts** with non-residents



**From the date on which the foreign currency is deposited in a resident's account*

Counter-Sanctions Acts: February 2022 (3)

Option to refrain from the obligation to sell foreign currency earnings

Simultaneously

- a resident is a party to both **export and import contracts**, including when one contract simultaneously contains the terms of both an export and an import contracts
- export and import **contracts are registered with the same authorized bank and (or)** settlements under the contracts are made **through accounts opened with the same authorized bank** (*it is implied that the currency received under export contract will be used for fulfillment of obligations under the import contract*)
- foreign currency is debited to a non-resident under an import contract **from the transit foreign currency account**, to which foreign currency was previously credited under an export contract, **in the amount of forthcoming payments** to fulfil obligations under the import contract

The option can be utilized until **September 1, 2022**

[Minutes No. 39 of the Sub-Commission Meeting dated April 26, 2022](#)

Counter-Sanctions Acts: February 2022 (4)

2. BUYBACK OF SHARES



- Russian public joint-stock companies **may buy back** their publicly traded shares subject to a number of conditions (including in the event of a 20% or more decrease in the average share price and the primary stock exchange index)

3. FOREIGN EXCHANGE TRANSACTIONS



The following has been prohibited since March 1, 2022:

- The provision of foreign currency by *residents* to *non-residents* under **loan agreements**
- Foreign currency transfers that are related to funds received in the form of dividends by *residents* (*amended by Decree No. 320 dated July 5, 2022) to their accounts (deposits) at **banks/other financial institutions** located **outside of Russia** or **without opening a bank account** using electronic payment means provided by foreign payment service suppliers (e.g., foreign e-wallets)*

Note: The restrictions do not apply to diplomatic missions, consular offices, or branches of resident legal entities located outside Russia (including their employees)

* *Resident individuals* are not affected by these restrictions in certain cases ([Minutes No. 26 of the Sub-Commission Meeting dated April 6, 2022](#); [Minutes No. 56/1 of the Sub-Commission Meeting dated May 30, 2022](#))

Counter-Sanctions Acts: February 2022 (5)

GENERAL EXCEPTIONS ENFORCED BY THE GOVERNMENT COMMISSION ON CONTROL OVER FOREIGN INVESTMENTS*

Foreign currency transactions (operations) that are permitted:

- Residents can transfer foreign currency to foreign accounts to **fund the day-to-day activities of branches and representative offices** in an amount not exceeding that provided for the preceding year
- Non-residents can send foreign currency to the foreign accounts (deposits) of non-legal entity residents in the form of **wages, rent, coupons, dividends on securities, or other interest payments**
- Non-legal entity residents can transfer, including conversion operations, foreign currency from foreign accounts opened before March 1, 2022 to another foreign account, provided that they have **disclosed** information about such accounts to the Russian tax authorities

** [Minutes No. 7 of the Sub-Commission Meeting dated March 10, 2022](#)*



Counter-Sanctions Acts: March 2022 (1)

Number	81	Date	March 01, 2022
Type	Decree	State authority	President of the Russian Federation
Name	<u>On Additional Temporary Economic Measures to Ensure the Financial Stability of the Russian Federation</u>		

Summary: The act introduces restrictions for persons from “unfriendly” countries related to the withdrawal of cash and capital from Russia

KEY PROVISIONS



1. FOREIGN CURRENCY EXPORTS IN CASH

Since March 2, 2022, it has been prohibited to export cash foreign currency in bank notes and/or monetary instruments denominated in foreign currency in an amount greater than the equivalent of **US\$ 10,000**

The rate is the Central Bank’s (“**CBR**”) exchange rate as of the date of export

Counter-Sanctions Acts: March 2022 (2)

2. REGULATED TRANSACTIONS between:



Russian residents

AND

non-Russian persons related to “**unfriendly**” states

or

persons who are **under the control** of said non-Russian persons, regardless of their registration place or place of main activities

Note:

- “**related to unfriendly states**” means registered therein, having a citizenship of this state, conducting primary business activities therein, generate primary profits from activities therein, etc.
- The rules **do not apply**:
 - to transactions conducted by the CBR or Russian state authorities
 - if the above-mentioned persons are ultimately controlled by Russian entities/citizens (or non-Russian entities/citizens not related to “unfriendly” states if such control was established before March 1, 2022)

Counter-Sanctions Acts: March 2022 (3)

Types of regulated transactions:

- (i) RUB-denominated credits and loans to persons from “unfriendly” states
- (ii) Transactions with persons from “unfriendly” states that resulted in ownership of securities*/ real estate
- (iii) Foreign exchange transactions cited in Decree No. 79

** Participatory interests in the charter capital of Russian limited liability companies are not officially considered securities, however, since the law aims to restrict capital outflow, we believe that such transactions may be recognized as restricted in the future and will monitor any updates*

Rules for regulated transactions:

- From March 2, 2022, regulated types of transactions are conducted based on permits issued by the **Government Commission** on Control over Foreign Investments
- For stock-exchange transactions, the parties must obtain a permit from the **CBR** approved by the **Ministry of Finance**. Such a permit contains conditions for concluding such transactions

Note: The rules also apply to transactions involving the acquisition of securities/real estate from a foreign person who is not from an “unfriendly” state, but who **obtained such assets from a person from an “unfriendly state”** after February 22, 2022

Counter-Sanctions Acts: March 2022 (4)

Number	126	Date	March 18, 2022
Type	Decree	State authority	President of the Russian Federation
Name	On Additional Temporary Economic Measures to Ensure the Financial Stability of the Russian Federation in Matters Concerning Currency Regulation		

Summary: The act introduces Additional restrictions on certain foreign currency and corporate transactions

KEY PROVISIONS

1. EXPANDED LIST OF REGULATED TRANSACTIONS



Until **December 31, 2022**, the following transactions cannot be conducted without the **CBR's prior approval**:

- (i) Payment by a resident of a participatory share, contribution, or equity interest in the property (i.e. authorized or charter capital, cooperative interest fund) of a non-resident legal entity (restriction does not apply to stock exchange transactions)
- (ii) Contribution by a resident to a non-resident under a general partnership agreement with investment in the form of capital expenditures (JV agreement)

Counter-Sanctions Acts: March 2022 (5)



Note: The above [do not cover](#) payments in favour of non-resident legal entities from “friendly” states, provided the currency for settlements is ruble/ currency of “friendly” state and the payment does not exceed RUB 10 mln (or its equivalent)

2. CREDITS AND LOANS

Ruble-denominated credits and loans to residents **under the control** of foreign persons related to “unfriendly” states do not require prior approval

3. CBR’S EXPANDED AUTHORITY

- To determine certain **thresholds** within which certain transactions may be conducted without the Government Commission’s permit

4. BANK ACCOUNT (DEPOSIT) AGREEMENTS

Until 1 September 2022, foreign currency-denominated obligations between credit institutions under foreign sanctions and resident legal entities will be deemed duly performed if (i) they are fulfilled in RUB and (ii) arose before the respective restrictive measures came into force

Counter-Sanctions Acts: March 2022 (6)

PROCEDURE TO OBTAIN PERMITS FOR:

- The mandatory sale of foreign exchange earnings by residents at a time other than 3 business days from the date on which the foreign currency is deposited in the resident's account
- The release of residents from the obligation to sell foreign exchange earnings
- The payment by a resident of a participatory share, contribution, or equity interest in the property (i.e. authorized or charter capital, cooperative interest fund) of a non-resident legal entity
- The contribution by a resident to a non-resident under a general partnership agreement with investment in the form of capital expenditures (JV agreement)

When to file? 10 business days prior to the planned transaction

Timeframe – 10 business days

[Decision of the CBR Board of Directors on the Procedure for Issuing Permits for Certain Operations dated March 25, 2022](#)

Central Bank's Thresholds: April 2022 (1)

Suspension of money transfers by non-residents

Applies to:

- Non-resident legal entities from “unfriendly” states
- Non-resident individuals from “unfriendly” states who are not working in Russia under employment or civil law contracts

The transfer of funds outside Russia from the following sources are subject to suspension:

- Bank accounts
- Accounts of Russian brokers

Information of the CBR is available at:

<https://cbr.ru/press/event/?id=12783>,

<https://www.cbr.ru/press/event/?id=12878>,

<http://www.cbr.ru/press/event/?id=12929>

Updated thresholds for transferring funds abroad for individuals

- During a calendar month, individuals (**residents and non-residents from Friendly States**) may transfer **no more than US\$ 150,000** or the equivalent in another currency outside the Russian Federation from their account in a Russian bank to their account or to another individual **abroad**
- In addition to the above, non-residents (including ones from “unfriendly” states) working in Russia under employment or civil law contracts can transfer money (RUB or foreign currency) abroad without opening an account in the amount of wages/ service fees
- **No more than US\$ 10,000** may be transferred per month **through companies that provide money transfer services** without opening an account

All the restrictions are valid until **September 30, 2022**

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Central Bank Thresholds: April 2022 (2)

Trend of restrictions being eased

Decision of the CBR Board of Directors dated July 19, 2022

The Central Bank **has canceled** the following threshold - **30% limit on advance payments** to non-residents under import contracts for services, works, results of intellectual activity, which has been in effect since April this year.

This decision, as noted by the Central Bank, is aimed at supporting foreign economic activity, creating conditions for building new logistics chains for import supplies.

Note: Non-Resident legal entities from “unfriendly” states **cannot purchase foreign currency on the Russian currency market**

But *The Central Bank of the Russian Federation allowed “unfriendly” banks to buy and sell currency **in exchange for another***

Clarifications to Decrees No. 79 and 81 (1)

General issues

- Clarifications have been made to the concepts of “control” (Article 5 of the Law on Strategic Investments) and “resident” (Article 1 of the Law on Currency Regulation and Currency Control)
- A Russian citizen who is a resident and also has other citizenship is considered a resident

Loans and credits

- Parties may **restructure** foreign currency loans issued before March 1, 2022 without prior approval
- Russian credit institutions may grant credits to residents under the control of persons from “unfriendly” states if the funds are transferred **for business activities in Russia***

** [Minutes No. 5 of the Sub-Commission Meeting dated March 9, 2022](#)*

Note: Information Letter No. IN-01-31/26 of the Bank of Russia dated March 05, 2022 and the respective clarifications were repealed. In turn, the CBR issued [Official Clarification No. 2-OP dated March 18, 2022](#)

Clarifications to Decrees No. 79 and 81 (2)

Securities and real estate

Permits are NOT required for:

- The conversion of depositary receipts for shares of a Russian issuer into shares of a Russian issuer, provided that the shares are credited to the securities account of said receipt holder
- Transactions made to transfer securities by a person from an “unfriendly” state who holds a title to the securities and performed all actions related thereto for the benefit of the person to whom the securities are transferred (e.g., return from a trust or a broker as a title holder)
- The transfer of securities without the transfer of title to them
- Operations performed against the will of the person exercising his/her rights to the securities (execution

of court judgments or the conversion of securities by the issuer)

- The debiting of securities from a nominee holder’s securities account and transfer to another account

- Securities to which the title is registered and which are stored outside of Russia / real estate located outside Russia

+

- Settlements on transactions (operations) with such securities/real estate conducted using accounts (deposits) that residents have opened at foreign financial organizations and provided information about them to the Russian tax authorities

Clarifications to Decrees No. 79 and 81 (3)

Securities and real estate

Permits are NOT required for:

- **Gratuitous transactions**, entailing the ownership title to **immovable property**, executed between individual resident and individual non-resident from an “unfriendly” state, provided that the parties to the said transactions are **spouses or close relatives***
 - Transactions, entailing the ownership title to **securities/immovable property constituting the unit investment funds**, concluded between resident management companies of unit investment funds whose owners are, *inter alia*, foreign persons related to the “unfriendly” states and/or persons under their control, and residents*
 - Transactions with securities/real estate prohibited by clause 1(a) of the Decree No. 81 concluded by **the**
- **Russian credit and non-credit financial institutions** which are under control of the foreign persons related to the “unfriendly” states (if at a client’s expense – the client cannot be a foreign person from an “unfriendly” state or person under their control)**
 - Transactions for purchasing of securities by resident individuals from non-resident individuals from “unfriendly” states, provided the parties are **spouses or close relatives** under Russian law and the transaction is **gratuitous** or the purchase price is **not more than RUB 1*****

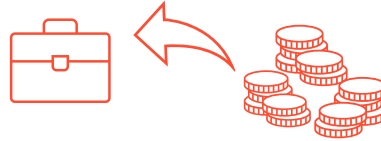
[*Minutes No. 24 of the Sub-Commission Meeting dated April 4, 2022](#)

[**Minutes No. 30 of the Sub-Commission Meeting dated April 11, 2022](#)

[*** Minutes No. 52/2 of the Sub-Commission Meeting dated May 23, 2022](#)

Clarifications to Decrees No. 79 and 81 (4)

Additional shares/participatory interest/bonds



Permits are NOT required for:

- transactions (operations) resulting in accrual of title to **additional shares (participatory interests), bonds** of Russian entities, if party to which is a foreign person related to “unfriendly” states and that belongs to the same group due to ownership more than 50% with Russian legal entities, provided that payments for such shares (participatory interests), bonds are made in rubles*
- transactions (operations) resulting in acquisition of **additional shares (participatory interests)** of Russian entities by foreign persons related to “unfriendly” states , provided that such foreign persons do not acquire the right to directly or indirectly dispose of more than 25% in a Russian entity*

* [Presidential Decree No. 254](#)

Clarifications to Decrees No. 79 and 81 (5)

Unit investment funds (UIF)



Permits are NOT required for:

- **sale of securities of foreign issuers** (including ones of foreign investment funds included into the UIF's assets as of February 22, 2022) by Russian management companies of UIF to the foreign persons associated with the "unfriendly" states (or persons under their control), **provided that** the funds received under transactions are credited to a Russian bank account opened with a Russian credit institution*

The permit is valid until **July 1, 2022**

[*Minutes No. 35 of the Sub-commission Meeting dated April 19, 2022](#)

Stock market



Permits are NOT required for:

- transactions entailing transfer the ownership title to securities, placed by Russian issuers which are under control of foreign persons associated with the "unfriendly" states (or persons under their control), to such issuers from the Residents**

[**Minutes No. 36 of the Sub-commission Meeting dated April 21, 2022](#)

Real estate transactions: Clarifications

Permits are NOT required for:

- Transactions involving “special foreign persons” in which residents aim to both acquire and dispose of securities or real estate. No official definition of such person is given *
- The transfer of real estate to individuals from the “unfriendly” states **
- The purchase of real estate from individuals from the “unfriendly” states with payment through a C-type account (see Presidential Decree No. 95 below) **
- Shared construction agreements **
- Transactions between a resident (buyer) and a non-resident individual from an “unfriendly” state concluded and paid before March 02, 2022 and registration documents for which were submitted before March 02, 2022 ***
- Transactions for the disposal of real estate by residents to residents under direct or indirect control of persons from the “unfriendly” states***:
 - 50% + 1 share in PJSC;
 - 25% + 1 share/participation interest in NPJSC/LLC



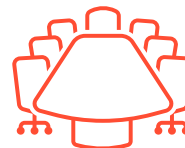
* [CBR Official Clarification No. 2-OP dated March 18, 2022](#)

** [Minutes No. 12 of the Sub-Commission Meeting dated March 17, 2022](#)

*** [Minutes No. 30 of the Sub-Commission Meeting dated April 11, 2022](#)

Rules on issuing permits for regulated transactions

Number	295	Date	March 06, 2022
Type	Decree	State authority	Government of the Russian Federation
Name	<u>On the Approval of Rules for the Issuance by the Government Commission on Control over Foreign Investments in the Russian Federation of Permits for Transactions (Operations) with Foreign Persons by Residents in order to Implement the Additional Temporary Economic Measures to Ensure the Financial Stability of the Russian Federation and Amend the Regulation on the Government Commission on Control over Foreign Investments in the Russian Federation</u>		



Summary: The act introduces procedural aspects for obtaining permits for regulated transactions listed in Decree No. 81 of the Sub-Commission of the Government Commission on Control over Foreign Investments

Rules on the repayment of foreign debt (1)

Number	95	Date	March 05, 2022
Type	Decree	State authority	President of the Russian Federation
Name	On the Temporary Procedure for the Fulfillment of Obligations to Certain Foreign Creditors		

Summary: The act introduces the procedure for the repayment of debt under certain types of arrangements to persons from “unfriendly” states and persons under the control of the latter

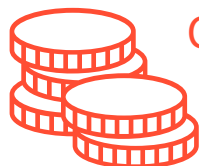
KEY PROVISIONS

Decree No. 95 also applies to obligations arising from related guarantees or independent guarantees (counter-guarantees)
[Presidential Decree No. 254](#)

- **Subject:** Obligations of Russian residents to foreign creditors related to “unfriendly” states or persons under the control of these foreign creditors **exceeding RUB 10 million per month** ([in aggregate for all obligations to all creditors](#)) or the same amount in a foreign currency **as part of credits, loans, and financial instruments (including the payment of dividends in foreign currency)**
- **Method:** Open a **C-type account (in rubles)** in the name of the foreign creditor or foreign nominee holder. For the purpose of financial instruments (shares or bonds), the existing non-residents’ securities accounts are used

Note: Until any other ways of fulfilling obligations are adopted, the fulfillment of obligations without compliance with said procedure is subject to the approval of the CBR (banks and financial institutions) or the Ministry of Finance (other entities)

Rules on the repayment of foreign debt (2)



C-type accounts

KEY PROVISIONS

- The regime of C-type account is described in the Decision of the CBR Board of Directors dated June 24, 2022 (the previous decision dated March 31, 2022 was cancelled)
- Transactions via the “C” bank account are very limited
- The account is opened by the Russian debtor in a Russian credit institution in the name of foreign creditor. Then, the creditor (shareholder) is entitled to submit to the credit institution in which such an account is opened with an application on the use of funds.
- The current regime of the “C”-type account does not provide for a possibility to transfer funds abroad at all (even by under a special permit).



Key problem is that sums from C-type account may not in fact be transferred further from the Russian bank to any non-Russian bank. Therefore, there is a risk that in fact the creditor will not receive any repayment outside Russia

Rules on profits payments to foreigners

Number	254	Date	March 05, 2022
Type	Decree	State authority	President of the Russian Federation
Name	On the temporary procedure for the fulfillment of financial obligations in the field of corporate relations to certain foreign creditors		

Summary: The act obliges to make certain **profits payments from Russian corporations** to “unfriendly” foreign participants **through a special “C” type account**

KEY PROVISIONS

- **Subject:** obligations to pay profits of Russian limited liability companies, economic partnerships, production cooperatives (i.e. **dividends from Russian corporations**) to participants that are foreign persons related to “unfriendly” states or entities who are under control of said foreign persons, regardless of their place of registration (except for cases where their place of registration is the Russian Federation) or the place of their primary business activities exceeding RUB 10 million or equivalent in foreign currency per month
- **Method:** Open a **C-type account (in rubles)** in the name of the foreign creditor

Note: Until any other ways of fulfilling obligations are adopted, the fulfillment of obligations without compliance with said procedure is subject to the approval of the CBR (financial institutions) or the Ministry of Finance (other entities)

Payment for Russian gas in rubles (1)

Number	172	Date	March 31, 2022
Type	Decree	State authority	President of the Russian Federation
Name	<u>On the Special Procedure for Foreign Buyers to Fulfill Their Obligations to Russian Natural Gas Suppliers</u>		

Summary: Payment for Russian natural gas supplies to “unfriendly” states shall be made in rubles.

KEY PROVISIONS

- The customs authorities decides to prohibit supplies to “unfriendly” states if (i) the payment deadline for gas supplied under a contract has passed or (ii) payment has not been made (ii) or made in a foreign currency (iii) and/or not in full, (iv) and/or to an account at a bank that is not an authorized bank
- Gazprombank Joint-Stock Company (an authorized bank) opens special K-type ruble accounts and special K-type foreign currency accounts for payments for gas that has been supplied

Payment for Russian gas in rubles (2)

PROCEDURE

- A foreign buyer from an “unfriendly” state transfers funds to a special **K-type foreign currency account**
- The authorized bank:



- **Sells the funds** received in foreign currency at an organized tender



- **Credits the receipts** from the sale in rubles to the foreign buyer's special **K-type ruble account**

- Transfers the funds credited in rubles to the **ruble account** opened by the **Russian supplier** at the authorized bank.

- The payment obligation shall be deemed to have been **fulfilled** from the time the funds received from the sale of the foreign currency **are credited to the ruble account** opened by the Russian supplier at the authorized bank
- The **Government Commission** on Control over Foreign Investments **may authorize** the execution of payment obligations **without complying with the procedure** established by this Decree

Decision of the Board of Directors of the Bank of Russia "On Establishing the Regime for Special K-type Accounts in Foreign Currency and in the Currency of the Russian Federation"

Export ban (1)

General export ban

Items banned for export from Russia to **any** foreign state, except for the EAEU and selected territories (including sugar*, grain crops**, canola, and sunflower seeds***)

[Decree of the Russian Government No. 311 dated March 09, 2022](#)
[Decree of the Russian Government No. 361 dated March 14, 2022](#)
[Decree of the Russian Government No. 362 dated March 14, 2022](#)
[Decree of the Russian Government No. 529 dated March 31, 2022](#)

Targeted export ban

Certain timber and steel items banned for export from Russia to the listed foreign states (those that imposed unilateral sanctions)

[Decree of the Russian Government No. 313 dated March 09, 2022](#)

Export permits

Permits for the export of the listed goods to the EAEU and selected territories

[Decree of the Russian Government No. 312 dated March 09, 2022](#)

Border crossing points

Soybeans may be exported by automobile, railway, and water transport from Russia only via the border crossing points per the established list***

[Decree of the Russian Government No. 530 dated March 31, 2022](#)
[Decree of the Russian Government No. 533 dated March 31, 2022](#)

Exceptions:

*Export license for export to the EAEU

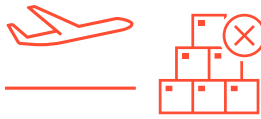
** Export license based on quotas for export to third countries

*** Except for the EAEU and selected states

Note: The Decrees specify a number of **exceptions** for each list of goods (e.g., goods originating in Russia and exported for private use)

Note: The export of the listed goods originating from Russia is allowed, but only if a special **certificate of Russian origin** (form CT-1 or other) is obtained. In light of the above, please note that goods manufactured in Russia does not automatically mean they are free for export

Export ban (2)



- Please be informed that the Governmental Decrees No. 311, 312 and 313 establishing different types of export restrictions have been **substantially revised** in terms of:
 - Lists of goods affected by restrictions (i.e. list of medical devices has been shortened)
 - Exceptions to the general rules prohibiting/ restricting certain types of goods to export from Russia
- The amendments were enforced by the **Decree of the Government of the Russian Federation No. 850 dated May 11, 2022**
- In addition, the Government has **expanded the ban** under the Governmental Decree No. 313. Now it is prohibited to export goods subject to targeted export ban to the foreign states not listed as ones imposed unilateral sanctions (as listed), **provided that** a foreign trade contract is concluded with a foreign person from the foreign state imposed unilateral sanctions **or** the said contract prescribes that the settlements are handled through the banks registered in such foreign state

Rules for obtaining export permits (1)

	INDUSTRIAL PRODUCTS	TELECOMMUNICATIONS EQUIPMENT
State body	Russian Ministry of Industry and Trade	Russian Ministry of Digital Development, Communications, and Mass Media
Application	Paper form/via electronic system* + attachments. No special form, only requirements for content	Paper form/via electronic system + attachments. Special form in accordance with the schedule to the procedure
Language	Russian (including a notarized translation)	
Timeline	<u>Approximately</u> 14 business days (if there are no objections to the submitted documents)	
Grounds for refusal	<ul style="list-style-type: none"> • Failure to eliminate any violations by the set deadline • Shortage of exported goods in Russia 	
Act	<i><u>Procedure for issuing permits for the export of industrial products</u></i>	<i><u>Procedure for issuing permits by the Ministry of Digital Development</u></i>

*Order No. 1314 of the Russian Ministry of Industry and Trade dated April 8, 2022 set forth the procedure for obtaining permits electronically at <http://non-tariff.gov.ru>

Rules for obtaining export permits (2)

	AGRICULTURAL MACHINERY	CERTAIN TYPES OF EQUIPMENT
State body	Russian Ministry of Agriculture	Russian Ministry of Natural Resources and Environment
Application	Paper form/email + attachments. No special form, only requirements for content	Paper form/email/website (https://www.mnr.gov.ru/open_ministry/reference/ask/) + attachments. No special form, only requirements for content
Language	Russian (including a notarized translation)	Russian (including a notarized translation)
Timeline	8 business days	20 business days
Grounds for refusal	Risk of the failure to achieve the target indicators of the State Program for the Development of Agriculture and the Regulation of Markets for Agricultural Products, Raw Materials, and Food	5 different grounds, including inaccurate information
Act	Procedure for issuing permits for agricultural machinery	Procedure of issuing permits for laboratory, mining, geological prospecting, and geophysical equipment

Rules for obtaining export permissions (3)

	CERTAIN TYPES OF MEDICAL PRODUCTS	CERTAIN TYPES OF VEHICLES
State body	Russian Ministry of Health	Russian Ministry of Transport
Application	Paper form + attachments. No special form, only requirements for content	Paper form/email + attachments. No special form, only requirements for content
Language	Russian (including a notarized translation)	Russian (including a notarized translation)
Timeline	21-36 business days	17-29 business days
Grounds for refusal	<ul style="list-style-type: none"> • Failure to eliminate any violations by the set deadline • Shortage of exported goods in Russia 	Failure to eliminate any violations by the set deadline; failure of the declared goods to comply with the list of items; threat to national defense and state security in the event the goods are exported
Act	Procedure for issuing permits for certain types of medical products	Procedure for issuing permits for certain types of vehicles and their parts and components

Blocking of vessels



The Government can now issue orders imposing bans on access to **Russian seaports** and **inland waterways** for the following **mixed (river-sea) navigation vessels**:

- Vessels under the flag of a foreign state
- Vessels registered with a foreign state
- Vessels that are operated on the basis of ownership or other legal grounds by an entity related to a foreign state, whose ultimate beneficiaries are persons who are in any way related to the foreign state

Basis for implementation – verified information confirming that Russian vessels are blocked from seaports and inland waterways in the same way

[Decree No. 468 of the Russian Government dated March 25, 2022 "On the Approval of the Rules for Preparing and Adopting a Decision Imposing and/or Lifting Reciprocal Restrictions Envisaged by Clause One of Article 231\(4\) of the Inland Water Transport Code of the Russian Federation"](#)

Sanctions on individuals (1)

Number	30-FZ	Date	March 04, 2022
Type	Federal Law	State authority	President of the Russian Federation
Name	On Amendments to the Federal Law "On Measures against Persons Involved in Violations of Fundamental Human Rights and Freedoms and the Rights and Freedoms of Citizens of the Russian Federation" and Article 27 of the Federal Law "On the Procedure for Exit from and Entry to the Russian Federation"		

Summary: The act allows for imposing "personal" sanctions on any foreigner

KEY PROVISIONS

1. TRAVEL BAN AND SUBSEQUENT RESTRICTIONS

Now can be applied to **any foreign individuals and stateless persons**, not only citizens of the USA

Grounds: blacklist or a decision on undesirability

Sanctions on individuals (2)

The following automatic restrictions are imposed **if** a travel ban is imposed:

- Ban on the **disposal of property** located in Russia
- Suspension of the **activities of legal entities** in Russia which are **under the control** of such persons
- Suspension of **membership in the management bodies** of organizations registered in Russia

2. ASSET FREEZE AND RESTRICTIONS ON TRANSACTIONS

- Financial and other **asset freezes** in Russia
- Prohibition to conclude any **transactions involving property and investments by such** individuals

Note: May be applied to individuals on whom a travel ban has been imposed

Note: Procedures for asset freezes have yet to be formalized

The Ministry of Foreign Affairs is expanding blacklists to include **public officials in the USA, UK, Canada, and Australia.**

Sanctions on individuals (3)

Number	252	Date	May 03, 2022
Type	Decree	State authority	President of the Russian Federation
Name	On Application of Retaliatory Special Economic Measures in Connection with the Unfriendly Actions of Certain Foreign States and International Organizations		

KEY PROVISIONS

- All Russian entities will be prohibited from any of the following:
 - a) entering into transactions with any persons sanctioned by the Russian Federation, including legal entities, individuals, and their controlled organizations (“**Sanctioned Persons**”)
 - b) performing obligations to Sanctioned Person in existing transactions
 - c) performing financial transactions if beneficiary is a Sanctioned Person
- **Export of products and/or raw materials**, produced or mined in the territory of the Russian Federation will be prohibited if such products and/or raw materials are exported and/or supplied (i) to any Sanctioned Person; and/or (ii) by any Sanctioned Persons to any other party
- Transactions under (a) and (b) include:
 - transactions made in favor of Sanctioned Persons
 - transactions involving entry of ships owned and/or chartered by Sanctioned Persons, in their interest or on their behalf, into the ports of the Russian Federation
 - transactions involving payments/ transactions with securities with the participation and/or in favor of Sanctioned Persons

Note: apart from list of Sanctioned Persons, [Governmental Decree No. 851](#) provide for an option to obtain a permit to avoid the imposed restrictions.

Moratorium on bankruptcy

Number	497	Date	March 28, 2022
Type	Decree	State authority	Government of the Russian Federation
Name	On the Introduction of a Moratorium on the Initiation of Bankruptcy Proceedings on Applications Filed by Creditors		

KEY PROVISIONS

- Ban on **creditors filing applications** to initiate bankruptcy proceedings against their debtors
- Does not apply to debtors who are apartment building **developers**
- The moratorium is effective **from April 1, 2022 to October 1, 2022**
- **Creditors** cannot initiate insolvency or enforcement proceedings. **Debtors** affected by the moratorium may still file for their own bankruptcy
- Debtors may appeal to a court for an **installment plan**
- **Restrictions on satisfaction of claims** of founders (shareholders) for the separation of a share from a company's charter capital due to the termination of a shareholder's relations with a company, a debtor's purchase or acquisition of outstanding shares or the payment of the actual value of the share, the payment of dividends, income on shares, as well as the distribution of profits between the founders (shareholders) of a debtor
- Restrictions on **offsetting** with counterparties



Note: To lift the restrictions, the company should waive the moratorium

Delisting on foreign stock exchanges

Number	114-FZ	Date	April 16, 2022
Type	Federal Law	Public authority	State Duma
Name	On Amendments to the Federal Law "On Joint Stock Companies" and Certain Legislative Acts of the Russian Federation		

KEY PROVISIONS

- **Until April 27, 2022** Russian JSCs should stop trading the depositary receipts at the foreign stock exchanges
- **Until May 5, 2022** Russian JSCs should undertake all necessary measures to terminate contracts, according to which securities were offered, and terminate depositary receipt programs
- To maintain a depositary receipt program a company should file an application to the Government Commission for the Control of Foreign Investments **by May 5, 2022**. The procedure for filing is stipulated in the Decree of the Government of the Russian Federation No. 672 dated April 16, 2022



Conversion of depository receipts

Number	319-FZ	Date	July 14, 2022
Type	Federal Law	Public authority	State Duma
Name	On Amendments to Certain Legislative Acts of the Russian Federation		

KEY PROVISIONS

- Introduces the procedure for **automatic conversion** of depository receipts, which are now impossible to convert due to sanctions, under a special procedure without resorting to foreign infrastructure.
- Once the relevant decision is taken by the Board of the Central Bank, the Russian issuers will have to submit a notification on performance of actions for automatic conversion of their receipts to their depositories within 5 working days.
- Previously the Central Bank of Russia stated that it had received a “significant number of requests” from holders of depository receipts who were unable to convert them into Russian shares due to the actions of the European depository and clearing system Euroclear Bank and Clearstream Banking, “which, even before the imposition of sanctions, unilaterally suspended operations with securities on accounts of the Russian central depository NSD, as well as other sanctioned Russian depositories”.



Compensation for compulsory licensing

- [Decree No. 299 of the Russian Government dated March 06, 2022](#) modified the methodology used to determine the **amount of compensation under compulsory licenses** to use an invention, utility model, or industrial design
- **Affected persons:** patent holders related to foreign states who commit unfriendly acts against Russian legal entities and individuals

Before

0.5%

After

0%

of the actual revenue of the person who exercised the right to use IP without the consent of the patent holder from the production and sale of goods as well as the performance of work and provision of services for the production, performance, and provision for which the respective IP was used

IP changes

Limitations on the application of the Russian Civil Code



In 2022, the Government may now decide on the list of goods to which certain provisions of the Civil Code on the protection of exclusive rights cannot be applied

Federal Law No. 46-FZ dated March 08, 2022

Parallel import of medicines



In the event of a shortage in medicines in 2022, the Government may decide to allow foreign medicines onto the market in their original packaging in a foreign language

Federal Law No. 64-FZ dated March 26, 2022

Parallel import of certain products



The Government allowed the import of high-demand goods of foreign origin without the consent of the rights holders according to separately approved lists of goods

Government Decree No. 506 dated March 29, 2022

List of products allowed for parallel import is determined by the Order of the Ministry of Industry and Trade No. 1532 which comes into force on May 07, 2022



Performance of obligations under IP contracts

Number	322	Date	May 27, 2022
Type	Decree	Public authority	President of the Russian Federation
Name	On Temporary Order of Performance of Obligations to Certain Right Holders		

Procedure for opening O-type accounts is provided for in the Governmental Decree No. 1031 dated June 6, 2022

KEY PROVISIONS

- Residents should pay in rubles to a special O-type account all obligations in connection with the use of the results of intellectual activity and (or) means of individualization, the exclusive rights to which belong to the listed categories of foreign right holders:
 - foreign persons associated with “unfriendly” states or persons under their control
 - persons publicly supported the sanctions or called for their imposition
 - persons banned use of their IP in Russia after February 23, 2022 for no economic reason
 - persons that have stopped/suspended/significantly restricted production (supply) of goods, performance of works, rendering of services in Russia after February 23, 2022 for no economic reason
 - persons discrediting the Armed Forces of the Russian Federation or state authorities or spreading “fakes” about them
 - persons expressing disrespect for Russia, its society, authorities and official symbols in an indecent manner by disseminating information on the Internet
- Otherwise, obligations can be fulfilled only upon prior authorization (permit) of the Government Commission on Control over Foreign Investments. The same procedure should be followed if a foreign right holder wants to debit a special account

Amendments to merger control procedure

Number	286-FZ	Date	July 14, 2022
Type	Federal Law	State authority	State Duma
Name	On Amending Certain Legislative Acts of the Russian Federation		

KEY PROVISIONS

For 2022 year:

- For commercial organizations, before the Federal Law was adopted, if the amount of assets of the Target company and its group of persons **exceeded 800 million rubles**, the preliminary approval of FAS Russia was obligatory. **Now**, if the amount of assets of the Target and its group of persons is **over 800 million up to 2 billion rubles**, it is possible to carry out most of (yet not all) transactions without the pre-transaction approval of FAS Russia with **post-closing notification**.
- For financial organizations, previously there were different asset thresholds for different kinds of financial organizations established by the Russian Government. **Now**, these thresholds **became irrelevant** for most of (yet not all) transactions. Currently most of the deals in relation to financial organizations do not require pre-transaction approval by FAS Russia and **just a post-closing notification** instead.

Recent initiatives discussed in the media

The following initiatives have recently appeared and been discussed in the media or public field. We are unaware of any likely progress in their discussion or implementation, or their exact content. Updates on these issues can be expected in the coming days



- The transactions involving **participation interests in the charter capital of Russian LLCs** are intended to be restricted in the same way as the transactions with shares in JSCs

A warm-toned, semi-transparent background image showing a close-up of hands in business attire. One hand holds a silver pen, and another hand is positioned over a document. The document has some faint text, including the words 'SUMMARY REPORT'.

|| Liability

ALRUD

Criminal liability (1)

Number	32-FZ	Date	March 04, 2022		
Type	Federal Law	State authority	Russian Parliament	Effective date	March 04, 2022
Name	<u>On Amendments to the Criminal Code of the Russian Federation and to Articles 31 and 151 of the Code of Criminal Procedure of the Russian Federation</u>				

Article	Act	Maximum liability*
207 ³	Public dissemination under the guise of reliable reports of knowingly false information containing data about the use of the Armed Forces of the Russian Federation to protect the interests of the Russian Federation and its citizens and to maintain international peace and security	Fine of up to RUB 1,500,000 or the amount of wages or other income of the convicted person for up to 18 months, corrective labor for up to one year, compulsory labor for up to three years, or imprisonment for up to three years

* Without aggravating circumstances

Criminal liability (2)

Article	Act	Maximum liability
280 ³	Public actions that aim to discredit the use of the Armed Forces of the Russian Federation to maintain international peace and security or discredit the performance by state authorities of their powers outside the territory of the Russian Federation*, including public calls to obstruct the use of the Armed Forces, <u>committed by a person after being held administratively liable for a similar act within one year</u>	Fine of up to RUB 300,000 or the amount of wages or other income of the convicted person for up to two years, compulsory labor for up to three years, arrest for up to six months, or imprisonment for up to three years with the deprivation of the right to hold certain offices or engage in certain activities for the same period
284 ²	<u>Calls for restrictive measures</u> by foreign states or unions to impose or prolong political or economic sanctions against the Russian Federation, citizens of the Russian Federation, or Russian legal entities, <u>committed by a person after being held administratively liable for a similar act within one year</u>	Fine of up to RUB 500,000 or the amount of wages or other income of the convicted person for up to three years, restrictions of freedom for up to three years, compulsory labor for up to three years, arrest for up to six months, or imprisonment for up to three years with/without a fine of up to RUB 200,000 or the amount of wages or other income of the convicted person for up to one year

**On Amendments to the Criminal Code of the Russian Federation and Articles 150 and 151 of the Criminal Procedure Code of the Russian Federation*

Criminal liability (draft law)

Summary

The draft law criminalizes any abuse of authority committed with the purpose of **compliance with anti-Russian sanctions**.

Subjects of the offense

Persons performing **managerial functions** at a commercial or other organization such as:

- Sole executive body (e.g., CEO)
- Members of the board of directors or other collective executive body
- Individuals performing administrative duties at a company

What exactly is an “abuse of authority”?

- Action against the interests of a company at which the respective executive has authority
- For the purposes of self-interest or inflicting harm on other persons
- If the deed harmed public interests or rights
- For the purpose of compliance with decisions on restrictive measures against Russia

Liability

- **Fine** of up to RUB 1,000,000 (approximately USD 12,620 or EUR 11,600) or five years’ worth of the convicted person’s income
- **Forced labor** for up to five years with the **deprivation of the right to hold certain company positions** for up to three years
- **Imprisonment** for up to 10 years with the **deprivation of the right to hold certain company positions** for up to three years

[On Amendments to Article 201 of the Criminal Code of the Russian Federation \(Draft Law No. 102053-8\)](#)

Administrative liability

Number	31-FZ	Date	March 04, 2022		
Type	Federal Law	State authority	Russian Parliament	Effective date	March 04, 2022
Name	On Amendments to the Russian Code of Administrative Offenses				

Article	Act	Maximum liability**
20.3 ³	Public actions that aim to discredit the use of the Armed Forces of the Russian Federation to maintain international peace and security, including public calls to obstruct the use of the Armed Forces, or discredit the performance by the state authorities of the Russian Federation of their powers outside the territory of the Russian Federation*	Administrative fine of up to RUB 50,000 for citizens, up to RUB 200,000 for officials, and up to RUB 500,000 for legal entities
20.3 ⁴	Calls for restrictive measures by foreign states or unions to impose or prolong political or economic sanctions against the Russian Federation, citizens of the Russian Federation, or Russian legal entities	Administrative fine up to RUB 50,000 for citizens, up to RUB 200,000 for officials, and up to RUB 500,000 for legal entities

* [On Amendments to Articles 8.32 and 20.3.3 of the Russian Code of Administrative Offenses](#)

** Without aggravating circumstances

High treason in modern Russia

The provision of financial, material, technical, consulting, or other assistance to a foreign state, international, or foreign organization or their representatives **in activities that run counter to the security of the Russian Federation** contains elements of a crime under Article 275 of the Criminal Code of the Russian Federation (high treason)

- I. No new regulation has been added: a message in the telegram channel of the Russian Federation Prosecutor General's Office has drawn attention to this issue
- II. Assistance must be provided in activities that run counter to the security of the Russian Federation
- III. No clear boundaries have been set for the definition of activities that run counter to the security of the Russian Federation
- IV. No grounds have yet to be established for changes in the application of this rule



Requests from the authorities: how should you react?



- Many companies have recently received warnings about the **inadmissibility of violating the law** or various requests related to their business and further activities from the Prosecutor's Office or other state authorities such as Ministry of Industry and Trade
- **What does this mean?** The state authorities are trying to prevent the unjustified termination of business in Russia by putting more pressure on the Russian management of foreign-owned companies, while at the same time trying to collect data about such activities
- Note that the emphasis of the warnings is to ensure compliance with **already existing laws and regulations** (preventing premeditated and fictitious bankruptcy, crimes and offenses in matters concerning employment, and consumer protection), and they do not necessarily mean that the company is already in violation of certain requirements

Reducing liability for currency control violations

Number	235-FZ	Date	July 13, 2022
Type	Federal Law	State authority	State Duma
Name	On Amending Article 15.25 of the Code of Administrative Offenses of the Russian Federation		

KEY PROVISIONS

Reducing amounts of administrative fines, e.g. for illegal currency operations:

1. for citizens, persons engaged in entrepreneurial activities without forming a legal entity and legal entities – **from 20 to 40 percent** of the amount of an illegal currency transaction or the amount of funds transferred without opening a bank account using electronic means of payment provided by foreign payment service providers (**earlier - from 75 to 100 percent**)
2. for officials – from 20 to 40 percent (**but not more than RUB 30,000**) (**earlier - RUB 20,000 to 30,000**)

Limitation of application of administrative liability: will not apply to residents if non-compliance with the requirements of currency legislation is due to the application of restrictive measures against Russia (**rule applies to legal relations that arose from February 23, 2022 to December 31, 2022**)

Courts may transform foreign branches

Number	320-FZ	Date	July 14, 2022
Type	Federal Law	State authority	State Duma
Name	On Amendments to the Federal Law "On the Privatization of State and Municipal Property", Certain Legislative Acts of the Russian Federation, and on the Establishment of Peculiarities in the Regulation of Property Relations		

KEY PROVISIONS

Transformation into Russian legal entities:

- Russian courts will be able to transform branches of foreign companies that mine subsoil resources and/or own gas transmission infrastructure in Russia into Russian limited liability companies (LLCs) with the former owners and subsequent transfer of property, licenses, rights and obligations. Such a transformation should be applied if a structure from an "unfriendly" country interferes with the continuous activities of its branch or representative office in Russia, tries to terminate it or evades the intended use of its property.
- The presence of grounds for the transformation of a branch may be evidenced, in particular, by statements of foreign owners "in the absence of obvious economic reasons" to terminate or suspend work in Russia, as well as the commission of actions aimed at complying with sanctions or notification of more than a third of employees about reduction.

Restriction of the rights of "unfriendly" owners

- If necessary, the law will allow, already in new structures, to restrict the corporate rights of foreign owners if they interfere with the normal functioning of the company. Thus, the payment of dividends on shares owned by foreign investors and the distributed part of net profit attributable to a foreign investor may be suspended. The court has the right to decide on the renewal of the rights of a foreign investor.

A blurred background image showing a business meeting. In the foreground, a person's hands are visible, one holding a pen and the other holding a pair of glasses. In the background, another person is holding a pen over a document. The overall scene is dimly lit and has a warm, sepia tone.

Prospects for foreign business on the Russian market

External administration (draft law) (1)

On April 12, 2022, parliamentarians introduced [Draft Federal Law No. 104796-8 "On External Administration for Entity Management"](#) ("**Draft Law**") to the State Duma of the Russian Federation. On May 26 it has been approved in first reading with no adjustments

Key changes in contrast to the previous unofficial version of the Draft Law:

- The approach used to identify targeted companies that may be subject to external administration has been **softened**
- **Branches** of companies have become subject to external administration
- External administration will generally be instituted for **18 months**
- The head of a federal executive body or a governor of a Russian region are entitled to **initiate the external administration procedure**
- External administration **will not necessarily end with** the replacement of the target's assets (via spin-off), the target's liquidation or bankruptcy, or the establishment of a new company and its sale at an auction
- External administration will be exercised in one of **two ways**: (i) the placement of all or part of the shares or participation interests in the target's charter capital under external administration (management company) in trust; (ii) the transfer of the powers of the target's chief executive or CEO to external administration
- Foreign investors holding more than 50% of the target's voting shares will be entitled to terminate external administration both **before and after** its institution. Such termination should be predicated on the obligation to resume and/or continue the target's activities

External management (draft law) (2)

External management may be imposed if:

Features of the company:

- A. A foreign person (including several persons not affiliated with one another other) related to an “unfriendly” state is the controlling entity or directly or indirectly holds at least 25% of the voting shares or participation interest in the entity’s capital
- B. The entity is essential for ensuring the stability of the economy and civil commerce as well as protecting the rights and legitimate interests of citizens in Russia.

Note: The Draft Law contains a list of criteria for being an essential entity under clause B above, which may be interpreted broadly. Moreover, the competent authority, the interdepartmental commission of the Russian Ministry of Economic Development, will have the right to expand this list

Status of activities:

- A. The management of activities is de facto disrupted in breach of Russian law by the target’s management bodies and/or participants (shareholders)
- B. The aforementioned persons perform actions that may lead to the unprovoked termination of the target’s activities, liquidation, or bankruptcy, with damages incurred by the target
- C. The target’s activities have been terminated or suspended fully or partially, and/or the volume of manufacturing and sales of products (work performed or services provided) has decreased significantly
- D. The continuation of the target’s activities without the introduction of external administration may result in the events cited in clause C above
- E. The elimination of the grounds for imposing external administration envisaged by clauses C and D above may require the spending of funds from the budget of Russia or one of its regions.



| Premeditated and fictitious bankruptcy

1. CRIMINAL LIABILITY FOR PREMEDITATED BANKRUPTCY (Article 196 of the Criminal Code)

Premeditated bankruptcy refers to actions (inaction) that clearly result in the inability to fully satisfy a creditors' claims and cause damage of more than RUB 2,500,000 (approximately USD 22,000)

- Should be applied in the event a company leaves accounts payable before terminating its business
- Should not be applied in the event a company leaves Russia after winding down its operations and terminating its employees if the company has been making due payments to third parties

2. CRIMINAL LIABILITY FOR FICTITIOUS BANKRUPTCY (Article 197 of the Criminal Code)

Fictitious bankruptcy refers to a knowingly false public announcement by a legal entity's director (CEO) or founder (shareholder or participant) that the legal entity is insolvent

- Provided that a company fully repays its debts to creditors and employees' salaries, it should not face charges of fictitious bankruptcy

Issues with executing contracts (draft law) (1)

1. Frustration of contract

If it becomes objectively impossible to perform an obligation in part or in full due to the unfriendly actions by foreign states and international organizations involving the imposition of restrictive measures against Russian citizens and Russian legal entities ("**Foreign Sanctions**"),

the obligation should be terminated in full or as it pertains to the relevant part

If an entity that has failed to perform or improperly performed an obligation proves that its proper performance was objectively impossible at the time due to Foreign Sanctions,

this entity should still be considered to have an outstanding obligation but should not be liable for the failure to perform or the improper performance of its obligations (i.e., the suspension of performance)

Note: As a default rule, a debtor should not be considered to have breached an obligation unless otherwise stipulated by an agreement that was concluded after the Draft Law took effect

Issues with executing contracts (draft law) (2)

2. Unilateral termination of a contract

If a counterparty fails to perform or improperly performs an obligation because this has become **objectively impossible at the time** due to Foreign Sanctions,



the other party should be entitled to **repudiate** the contract

Note: A party that refuses to execute a contract must notify the other party about this within a reasonable time before such repudiation takes place.
Note: As a default rule, pledges to ensure the performance of obligations under a contract will remain in effect

3. Pledge deposit



For parties to a contract concluded after February 23, 2022, a pledge may consist of shares, bonds, other securities, or fungible goods that may or may not be transferred as part of the obligation to be secured

Issues with executing contracts (draft law) (3)

4. Debt repayment under loan agreements

In the context of Foreign Sanctions, when the term comes due and/or other circumstances materialize as part of a loan agreement in which a Russian joint-stock company received a loan from a foreign entity that controls it,

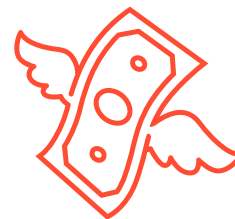


instead of performing the obligations, the Russian joint-stock company should be allowed to place additional shares of a certain category (type) in the lender's favor (subject to statutory limitations). For this purpose, the company should be entitled to issue preferred shares whose nominal value may exceed 25% of the company's share capital

Note: The Draft Law does not allow persons who “facilitated Foreign Sanctions” to cite the provisions indicated in items (1) – (4) above. At present, this wording is not entirely clear in terms of whether this rule would apply to foreign persons who support sanctions, contribute to their imposition, or follow or comply with them

Ban on currency clauses (draft law)

- The [Draft Federal Law No. 112181-8 "On Amendments to Articles 317 and 424 of the First Part of the Civil Code of the Russian Federation"](#) prohibits the use of currency clauses in the agreements governed by the Russian law (**except for foreign trade contracts**)
- Unless otherwise provided by the law, the **contract provisions** stipulating that a contract price denominated in RUB is linked to the equivalent in a foreign currency/a rate of exchange or over-the-counter price indicators in the world commodity markets will be deemed **null and void**
- **Transition period:** within 30 days from the day of entry of the Draft Law into force the parties to it can amend the contract accordingly. If the contract is not amended, as a general rule, it will be performed in RUB according to the CBR's official currency rate or the predetermined rate of exchange or over-the-counter price indicator in the world commodity market as of January 1, 2022
- It is expressly prohibited to rescind the agreement unilaterally if such termination is grounded by the necessity to amend the currency clause



Bill on the nationalization of assets owned by beneficiaries from “unfriendly” jurisdictions

Note: The [Bill](#) is in its early stages and might just be a populist measure that will never be adopted and become law

The Bill and an explanatory note thereto state that assets owned by beneficiaries from “unfriendly” states could be nationalized by the state due to “unfriendly” activities against Russia, Russian citizens, and legal entities incorporated under Russian law

Assets subject to nationalization

- Movable and immovable property
- Cash
- Bank deposit accounts
- Securities
- Corporate rights
- Other property (assets) which directly or through affiliated persons belong to beneficiaries from “unfriendly” jurisdictions

Procedure and grounds for nationalization

The procedure and the list of beneficiaries from “unfriendly” states that fall under the Bill would be determined by the regions of the Russian Federation. The nationalization of assets would be carried out based on a decision by the state authorities of the regions of the Russian Federation where the assets subject to nationalization are located

Compensation for nationalized assets

The Bill stipulates that no compensation will be provided for nationalized assets

Disputing the decision to nationalize assets

The Bill expressly states that a court’s acceptance of foreign investors’ claims would not stop the nationalization procedure

Public prosecutor's authority to challenge the transactions



- On June 8, 2022 the [Bill](#) was adopted by the State Duma of the Russian Federation in the third reading. The final publication and entrance into force are expected soon
- The amendments will be made to the Civil Procedure Code of the Russian Federation and the Arbitrazh Procedure Code of the Russian Federation



- Upon adoption of the Bill a public prosecutor will be entitled to:
 1. **file a lawsuit** to the arbitrazh court to invalidate transactions made in violation of the sanctions-related laws and regulations
 2. **intervene in a court case** which may have been initiated to evade the sanctions-related laws and regulations or arose out of a fictitious or sham transaction made for these purposes



Recent trends in litigation
and arbitration

Exclusive jurisdiction over sanctions-related disputes (1)



Federal Law No. 171-FZ dated June 08, 2020 (the “**Law**”) states that, as a default rule, **Russian arbitrazh (commercial) courts have exclusive jurisdiction** over the following disputes:

- Disputes involving entities under the sanctions of foreign states, state associations, and institutions
- Disputes between Russian entities, between Russian and foreign entities, or between foreign entities based on sanctions against Russian citizens or organizations

Exception: jurisdiction does not apply if there is (i) **an international treaty** or (ii) **a prorogation agreement** in favor of a foreign court **or an arbitration agreement** in which the place of arbitration is located outside of the Russian Federation

Note: If a prorogation or an arbitration agreement is “unenforceable” due to the impact of anti-Russian sanctions barring a sanctioned Russian entity from access to justice, **Russian courts would have jurisdiction over the dispute**

Exclusive jurisdiction over sanctions-related disputes (2)



UralTransMash v. PESA case (A60-36897/2020)

- In the dispute, Russian courts were considering the possibility of prohibiting the Polish company RTS PESA Bydgoszcz from continuing foreign arbitration which it initiated against UralTransMash JSC (a so-called “anti-suit injunction”)
- The Supreme Court’s key conclusion was that the **imposition of sanctions as such already creates a barrier for Russian entities to access justice**, affects their rights and reputation, and thus puts them in an unequal position vis-à-vis other entities, and casts doubt on the guarantees of a fair trial, including those related to a court’s impartiality

It is unclear whether this rule applies if the place of arbitration is not a country that has imposed sanctions against the Russian entity

Further expected amendments



Draft Law No. 25200-8 proposed giving Russian state courts exclusive competence over **all disputes between a Russian or foreign party**, where one of them directly or indirectly (including through its affiliated and/or controlling entities):

- Has helped contribute to the imposition of sanctions, including by providing financial or other assistance to proponents of the relevant sanctions
- Has received unjustified preferences and/or benefits from sanctions, including abroad
- Has failed to perform or improperly performed an obligation due to sanctions

Status: The Bill has not yet passed its first reading in the Russian State Duma and its content may eventually be significantly amended

Note: The effect of such a Bill would be that a potential Russian or foreign entity ("**Claimant**") that incurred damages from another Russian or foreign entity ("**Respondent**"), which encouraged the imposition of sanctions against the Claimant or terminating existing relations with the Claimant to comply with sanctions, or obtained other advantage over the Claimant resulting from the imposition of sanctions, would be entitled to file a claim in Russian state courts against the Respondent, regardless of the provisions of the contract or equally any other legal provisions of applicable law on dispute resolution

Assumptions and limitations

This Summary is subject to the limitations, assumptions, and other matters cited below.

- This Summary has been prepared solely for the purpose of providing an overview of the counter-sanctions that Russia imposed in February – July 2022, the related measures of the CBR, the criminalization of certain activities as regards sanctions, as well as recent trends in arbitration in light of foreign sanctions.
- This Summary is based on information and legislation that is relevant and valid as of July 21, 2022.
- Our overview and this Summary are limited to matters of Russian law only. This Summary is to be construed in accordance with Russian law and our liability with respect to this report is to be governed by Russian law.
- This Summary represents our opinion on the respective matters, whereas Russian courts and the state authorities may interpret applicable regulations in a different way. Additionally, considering that the counter-sanctions and the Central Bank's measures are urgent and rather general in nature, there is uncertainty about how all these measures will be implemented in practice.
- The authors of this Summary do not bear and will not bear liability with regard to any adverse consequences, including direct and/or indirect losses, expenses, or damages that are connected directly or indirectly with actions or inaction taken as a result of this Summary.
- The contents of this Summary are provided solely for the Client's information, are confidential in nature, and may not be disclosed to third parties without the prior written approval of ALRUD, unless such disclosure is required by law.

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