

July 7, 2016

Amendments to Russian Civil Code on different types of interest under Articles 317.1 and 395

Dear Sir or Madam,

We would like to inform you that on July 5, 2016 the President of the Russian Federation signed Federal Law dated 03.07.2016 No. 315 "On Amendments to Part I of the Civil Code of the Russian Federation and certain Legislative Acts of the Russian Federation" (hereinafter referred to as the "**Law**"), which comes into force from August 01, 2016.

The Law amends one of the most debated articles introduced to Russian Civil Code in 2015 – Article 317.1 of the Civil Code on **statutory interest**, as well as Article 395 on **liability for non-performance of monetary obligations**.

1 STATUTORY INTEREST IS NO LONGER ACCRUED BY DEFAULT (ARTICLE 317.1 OF RUSSIAN CIVIL CODE)

	Before August 01, 2016	After August 01, 2016
When applicable	Automatically unless otherwise is provided by law or agreement	Only if provided in law or agreement
Applicable to relations	Between commercial organizations	Between any participants of the civil turnover
Amount of interest	Exchange rate of Bank of Russia (unless otherwise provided by agreement)	Key rate of Bank of Russia (unless otherwise provided by law or agreement)

Till recently the parties often used clauses on non-application of Article 317.1 of Russian Civil Code (on interest in monetary obligations) in contracts between commercial organizations. The Law does not require anymore including such provisions in the future agreements, as well amending the existing clauses on non-application of the interest, as after August 01, 2016 the interest will not be applicable by operation of law. If still parties are interested in the statutory interest to be accrued, then the respective clause shall be included in their agreement.

2 RATE OF INTEREST UNDER ARTICLE 395 OF RUSSIAN CIVIL CODE (LIABILITY FOR NON-PERFORMANCE OF MONETARY OBLIGATIONS)

Starting from August 01, 2016, the **interest amount under Article 395** of the Civil Code is determined by **the key rate of Bank of Russia** applicable in the relevant periods, **not by average interest rates on deposits of individuals**, as it was previously.

We would like to draw your attention to the fact that the parties may still agree on the rate of interest under both Article 395 and Article 317.1 of Russian Civil Code higher than the rate provided for by law.

Hope that the information provided herein would be useful for you.

If any of your colleagues would also like to receive our newsletters, please let us know by sending us his/her email address in response to this message. If you would like to learn more about our Commercial Law practice, please let us know about it in reply to this email. We will be glad to provide you with our materials.

If you have any questions, please, do not hesitate to contact the Partner of ALRUD Law Firm – Maria Ostashenko (mostashenko@alrud.com).

Kind regards,

ALRUD Law Firm

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