



Legal Alert

Bank of Russia to establish "C" type account regime for payments relating to loans and financial instruments

- 1.1. In accordance with Presidential Decree No. 95 dated 5 March 2022 *On Temporary Rules for Repayment of Certain Foreign Creditors* (the "**Decree**"), special temporary debt service rules have been established to ensure the financial stability of the Russian market. Pursuant to the Decree, Russian individuals and companies, the Russian Government, Russian regions and municipalities that have foreign currency obligations owed to foreign creditors from the list of unfriendly countries that have imposed sanctions against Russia, will be entitled to repay any such creditors in Russian rubles.¹ The temporary rules apply to payments exceeding 10 million Russian rubles (or the foreign currency equivalent).
- 1.2. Ruble payments made towards the repayment of creditors from countries that have imposed sanctions against Russia will be credited to "C" type accounts opened with Russian and foreign financial institutions. The decision of the Bank of Russia dated 8 March 2022² introduced the following regime for payments and making (performance) of transactions referred to in the Decree, effective from 9 March 2022:
 - i. "C" type account can be credited with:
 - money from residents under transactions referred to in the Decree;
 - transfers from "C" type bank accounts, "C" type special brokerage accounts, "C" type clearing accounts;
 - money erroneously debited from "C" type bank account.

Money can be debited from "C" type bank account for the following purposes:

- payment of taxes, duties and other statutory payments due and payable in accordance with Russian budget law;
 - transfers for the purchase of federal loan bonds issued by the Russian Ministry of Finance at auctions;
 - transfers to Russian currency accounts of non-residents as provided for by the permit;
 - transfers in the course of other transactions provided for by the permit;
 - transfers to "C" type bank accounts;
 - transfers to "C" type special brokerage accounts;
 - payment of bank fees to an authorized bank where the account is opened;
 - payments of penalties, default interest or fines to a resident with reference to transactions referred to in the Decree;
 - funds erroneously credited to "C" type bank account.
- ii. "C" type depositary account ("C" type nominal holder depositary account) may be credited with:
 - securities purchased with money held in "C" type bank accounts, "C" type special brokerage accounts or "C" type clearing accounts;
 - securities transferred from other "C" type depositary accounts;

¹ Creditors - residents of Russia and other countries that have not joined the sanctions against Russia will be able to have existing debt obligations of Russian residents repaid in the ruble equivalent using the exchange rate as at the payment date, and if a special permit is granted, in a debt currency, in each case within the time provided for by the respective debt obligation.

² "On Establishment of "C" Type Account Regime for the Purposes of Performance of Obligations by Resident to Non-Resident as Described in Presidential Decree No. 95 dated 5 March 2022 *On Temporary Rules for Repayment of Certain Foreign Creditors*.



- securities payments for which are effected through "C" type bank accounts in connection with the corporate actions performed in relation to such securities.
- securities erroneously debited from "C" type depositary account.

The following is debited from "C" type depositary account:

- securities transferred to "C" type depositary accounts, including in the course of securities transactions using money that is held on "C" type special brokerage accounts or "C" type clearing depositary accounts;
- securities debited from "C" type depositary account as a result of redemption of such securities;
- securities which may be debited from the specified account in accordance with the valid permit;
- securities erroneously credited to "C" type depositary account.

iii.

"C" type special brokerage account can be credited with:

- money from residents under transactions referred to in the Decree;
- transfers from "C" type bank accounts, "C" type special brokerage accounts, "C" type clearing accounts;
- money erroneously debited from "C" type special brokerage account.

Money can be debited from "C" type special brokerage account for the following purposes:

- payment of taxes, duties and other statutory payments due and payable in accordance with Russian budget law;
- transfers for the purchase of federal loan bonds issued by the Russian Ministry of Finance at auctions;
- transfers to Russian currency accounts of non-residents as provided for by the permit;
- transfers in the course of other transactions provided for by the permit;
- transfers to "C" type bank accounts;
- transfers to "C" type special brokerage accounts;
- payment of bank fees to an authorized bank where the account is opened;
- payments of penalties, default interest or fines to a resident with reference to transactions referred to in the Decree;
- money erroneously credited to "C" type special brokerage account.

iv.

"C" type clearing account can be credited with the following:

- as a result of clearing and performance of obligations of residents under transactions referred to in the Decree;
- transfers from "C" type bank accounts, "C" type special brokerage accounts, "C" type clearing accounts;
- money erroneously debited from "C" type clearing account.

Money can be debited from "C" type clearing account for the following purposes:

- payment of taxes, duties and other statutory payments due and payable in accordance with Russian budget law;
- transfers to Russian currency accounts of non-residents as provided for by the permit;
- transfers in the course of other transactions provided for by the permit;
- transfers to "C" type bank accounts;



- transfers to "C" type special brokerage accounts;
- payment of bank fees to an authorized bank where the account is opened;
- payment into deposit under a bank deposit agreement made with a central counterparty in accordance with Federal Law No. 325-FZ dated 21 November 2011 "On On-Exchange Trading";
- money erroneously credited to "C" type clearing account.

v. "C" type clearing depository account shall be credited with the following:

- securities transferred from "C" type depository account or from other "C" type clearing depository accounts in the course of clearing and performance of obligations admitted to clearing;
- securities erroneously debited from "C" type clearing depository account.

The following is debited from "C" type clearing depository account:

- securities transferred to "C" type depository accounts or "C" type clearing depository accounts;
- securities which may be debited from the specified account in accordance with the valid permit;
- securities erroneously credited to "C" type clearing account.

1.3. "C" type depository account is opened with a Russian depository for a non-resident or a for a non-resident nominal holder of securities.

This material is for reference only and is neither advice nor legal opinion. If you have any questions regarding this Alert, please contact us at alerts@rgd.legal.

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ANNEX 1

QUESTION	CENTRAL BANK GUIDANCE	REVISION DATE
<p>1. I have more than US\$10k in my foreign currency deposit account. I decided to close it and requested foreign currency withdrawal from the bank. What will I receive as a result?</p>	<p>You will receive US\$10k (if the account currency is different, you will still receive US dollars), you can leave the remaining amount in your account or deposit account which will be kept on initial terms or receive the remaining amount in Russian rubles at the rate applicable as at the withdrawal date.</p>	<p>9 March 2022</p>
<p>2. If I transfer money from a foreign currency account in one bank to a foreign currency account in another bank, can I withdraw US dollars in cash?</p>	<p>No, money in foreign currency credited to the account after 00:00 Moscow time on 9 March 2022 will not be available for cash withdrawal.</p>	<p>9 March 2022</p>
<p>3. I want to withdraw money from my foreign currency deposit account in Russian rubles. I submitted a request to the bank a few days ago. The exchange rate has since become higher. How much money will I receive?</p>	<p>You will receive the amount in Russian rubles at the market exchange rate as at the withdrawal date.</p>	<p>9 March 2022</p>
<p>4. Where can I learn about the market exchange rate?</p>	<p>The market exchange rate as at the withdrawal date is the same as the official exchange rate established by the Bank of Russia. It is determined on a daily basis according to the currency trading results on the stock exchange the day before.</p>	<p>9 March 2022</p>
<p>5. If an individual has several accounts with balances of US\$10k or more in one bank, will he receive a total of US\$10k in foreign currency or US\$10k in foreign currency from each account?</p>	<p>If there are several foreign currency accounts in one bank, an individual will be able to withdraw a total of no more than US\$10k.</p> <p>An individual can withdraw up to US\$10k in physical cash from each bank where he already have a foreign currency account previously opened. This means that if you have several foreign currency accounts or deposit accounts in one bank, you can withdraw US\$10k in physical cash. If foreign currency accounts and deposit accounts are in different banks, each bank will cash out up to US\$10k.</p>	<p>9 March 2022</p>
<p>6. Banks were prohibited from selling foreign currency. However, is non-cash conversion possible?</p>	<p>Yes, it is possible. Please, however, note that amounts in foreign currency that have been credited to the account since 9 March 2022 cannot be withdrawn in physical cash while the temporary rules for cash currency transactions are in effect. But these amounts can always be withdrawn in Russian rubles at the market exchange rate as at the withdrawal date.</p>	<p>9 March 2022</p>



7. I'm going abroad, I need foreign currency to pay for the trip. How can I buy it?	While the temporary rules for cash currency transactions are in effect, you will not be able to buy foreign currency in cash. But you can pay with and withdraw cash from the Mir card in the currency of the country of your trip as long as the Mir card is accepted in that country. Such countries are Turkey, Vietnam, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, South Ossetia and Abkhazia.	9 March 2022
8. I want to open a new foreign currency deposit account. Can I do that?	Yes, you can open a new foreign currency deposit account or current account. But while the temporary rules for cash currency transactions are in effect, you will not be able to withdraw cash from a foreign currency account or deposit account opened after 8 March 2022.	9 March 2022
9. I have a foreign currency amount in a safe deposit box. Can I take the whole amount or just US\$10k?	You can deal with what is kept in your safe deposit box at your own discretion. The existing restriction is not applicable in this case.	9 March 2022
10. Although I requested to withdraw US\$10k from my deposit account, the bank did not give me the foreign currency amount, explaining that it needs several days to deliver the foreign currency. Is the bank allowed to do so? Will the bank give me my money?	Yes, the bank will definitely give you US\$10k in physical cash. The volume of cash currency in this country is enough to cover this specific volume of payments for all holders of foreign currency deposit accounts and current accounts. The bank may indeed need time to deliver the foreign currency to a specific branch. The rest of your money in your accounts is safe and always available in Russian rubles.	9 March 2022
11. Is there a chance that any special rules will be introduced for withdrawal of money from deposit accounts in Russian rubles?	No, there is not. The flow of US dollars into this country is limited in view of sanctions, and this is the only reason for the special restrictions associated with the sale of foreign currency in cash by banks. Sanctions have no effect on deposit accounts and current accounts in Russian rubles. Money is safe in accounts, all transactions are available at any time.	9 March 2022
12. I received US\$10k and I left the rest in the account. Can the bank then fix the exchange rate and give it to me at the bank's internal	No, that will not happen. The bank will at any time give you your money in Russian rubles at the exchange rate as at the payment date.	9 March 2022

	rate rather than at the market rate?		
13.	When the temporary rules for cash currency transactions expire, will I be able to withdraw the foreign currency in full or in the amount of only US\$10K from my deposit account?	It depends on foreign sanctions, there is a chance that withdrawal of US dollars or euros will be still difficult. But we are looking for alternative options for our people. In particular, such options may include gold or currencies of those countries that have not joined the sanctions against Russia.	9 March 2022
14.	Visa and Mastercard announced that they are leaving the Russian market? What will happen to their cards?	All Visa and Mastercard cards issued by Russian banks will continue to be valid in Russia as usual until their respective expiration dates. Transactions are processed within this country on these cards, and sanctions do not affect them. Money held in accounts linked to such cards is fully safe and available. Holders of these cards in Russia will be able to carry out transactions at ATMs, pay for purchases with such cards, and make intra-country from card to card transfers. These cards will not be valid in foreign countries. It will also be impossible to use them in foreign online stores.	6 March 2022
15.	Do I need to withdraw money from bank accounts to which Visa and Mastercard cards are linked?	No. Money in bank accounts to which Visa and Mastercard cards are linked is safe and fully available. You can still use such cards in Russia until they expire.	6 March 2022
16.	Do I urgently need to change Visa and Mastercard cards to Mir cards?	No, you do not have to do so. Visa and Mastercard cards issued by Russian banks will work in Russia until their respective expiration dates. Your bank will then issue a Mir card for you and inform you accordingly.	6 March 2022
17.	How can Russians pay for purchases in foreign countries?	You can pay with the cash currency of the country where you are located. You can pay with a Mir card in countries where it is accepted. Today, such countries are Turkey, Vietnam, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, South Ossetia and Abkhazia.	9 March 2022
18.	Can Russians continue to pay for purchases on foreign websites?	Payment will not be available other than on websites that accept Mir cards.	6 March 2022
19.	Will Apple Pay, Google Pay and	Apple Pay and Google Pay services will not be available for Visa and Mastercard cards.	6 March 2022



<p>other mobile services work?</p>	<p>However, you can use the standard contact or contactless card in full throughout Russia.</p> <p>In addition, the Mir Pay mobile payment service works for contactless payments using a smartphone. It can be installed on an Android smartphone. Mir Pay allows you to effect usual payment transactions, today you can link it to Mir cards of more than 80 Russian banks.</p>	
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