

## Legal Alert

# On special economic measures being applied in Russia

- 1.1. On 28 February 2022, in response to the international sanctions against the Russian financial and business sector, the Russian President signed Decree No. 79 *On Taking Special Economic Measures in Connection with Hostile Moves of the United States of America and Foreign Countries and International Organisations that Have Joined Them* (the “**Decree**”). The Decree stipulates a number of special economic measures, namely:
- Russian residents participating in foreign trade must sell 80% of their currency proceeds from foreign trade contracts;
  - Russian residents are prohibited from performing a number of transactions with foreign currency;
  - Joint stock companies are limited in their rights to buy back the shares they have placed;
  - Credit institutions may open a bank account (deposit) for clients who are individuals without them being physically present in situations when funds are transferred, provided that a number of conditions for identifying such individuals have been met.
- 1.2. The residents participating in foreign trade activities are under the obligation to sell foreign currency in the amount of 80% of the foreign currency amount credited to their accounts in authorised banks on the basis of foreign trade contracts signed with non-residents. This confirms the information that the Russian Finance Ministry has previously published to this effect. In the meantime, the Decree contains additional details on these measures being applied, namely:
- The above obligation to sell 80% of foreign currency applies to the funds that have been credited to residents’ bank accounts in authorised banks on the basis of foreign trade contracts since **1 January 2022** ;
  - Residents are under the obligation to sell foreign currency credited to their accounts under foreign trade contracts stipulating the supply to non-residents of **goods and services, performance of work for, and transfer of intellectual assets to non-residents** ;
  - Requirements for the compulsory sale of foreign currency extend to the residents that are parties to foreign trade contracts, **regardless of such contracts being or not being registered with authorised banks**<sup>1</sup>;
  - The Russian Central Bank will establish the procedure for selling the foreign currency.
- 1.3. We note that the Decree does not contain clarifications on situations when the resident had already sold the credited currency by the time the Decree was adopted. For instance, it remains unclear at present whether this amount will be taken into account for calculating the 80% of foreign currency credited to bank accounts, i.e., the portion which has to be sold.
- 1.4. Since 1 March 2022, a number of foreign currency transactions are prohibited for Russian residents, specifically:

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<sup>1</sup> In line with the provisions of the Russian Central Bank’s Instruction No. 181-I *On the Procedure for Residents and Non-residents Submitting to Authorised Banks the Supporting Documents and Information When Conducting Currency Transactions, On Unified Forms for Keeping Records of and Filing Reports about Currency Transactions, Procedure and Timeframes for Filing Them* dated 16 August 2017.



- Performing foreign currency transactions connected with residents providing foreign currency to non-residents under loan agreements;
  - Crediting foreign currency to their own bank accounts (deposits) with banks and other financial market institutions outside of the Russian Federation, as well as transferring money without opening a bank account with the use of electronic means of payment provided by foreign suppliers of payment services.
- 1.5. Subsequently, media sources quoting the Russian Central Bank clarified that the prohibition on providing foreign currency loans relates only to new loans and does not apply to correspondent accounts<sup>2</sup>. In addition, media referring to a source in the Russian Government noted that a ban on money transfers without opening bank accounts means that residents cannot credit or debit funds using e-wallets, but purchases of goods from non-residents are not limited<sup>3</sup>.
- 1.6. In furtherance of the Decree the Central Bank has prepared an instruction that starting from 28 February 2022, professional participants of financial market are prohibited from transferring income under Russian issuers' securities to foreign individuals and legal entities. Thus, it will actually be prohibited to pay dividends and interest under bonds to non-residents. According to media, this ban will also prevent a distribution of profits by Russian subsidiaries to foreign parent companies<sup>4</sup>. However, the government bodies have not released any official clarifications by now.
- 1.7. The Decree also provides that, until 31 December 2022, public joint-stock companies may buy back the shares placed by them only if certain conditions are met:<sup>5</sup>
- The shares being purchased are admitted to organised trading, and they are being purchased based on the applications which a broker addresses to an unlimited number of trade participants pursuant to an instruction of a public joint-stock company;
  - The average weighted price of the shares being purchased determined for any three months starting from 1 February 2022 has decreased by 20 or more percent, as compared to the average weighted price of such shares determined for three months starting from 1 January 2021;
  - The value of the major stock index calculated by the trade organiser for any three months starting from 1 February 2022 has decreased by 20 or more percent, as compared to the value of such index calculated by the trade organiser for three months starting from 1 January 2021; and
  - The Board of Directors (Supervisory Board) of a public joint-stock company has issued a decision to purchase the shares it has placed in accordance with the requirements of this Decree specifying the categories or types of the shares being purchased, the number of shares of each category or type of the shares being purchased and the timeline within which the shares will be purchases which shall end no later than 31 December 2022.
- 1.8. In addition, after the buyback of shares, a public joint-stock company shall notify the Russian Central Bank accordingly, attaching the documents which confirm that the above conditions have been met.
- 1.9. The Decree entitles credit institutions to open a bank account or deposit for a client who is an individual without his or her presence, where such individual client transfers funds from his or her bank account or deposit opened with one credit institution to another credit institution, if, simultaneously with this, a credit organisation which effects the transfer provides the credit institution which opens an account or deposit with the data established during identification of such individual

<sup>2</sup><https://www.interfax.ru/business/825286>

<sup>3</sup><https://thebell.io/putin-zapretil-rossiyanam-perevody-valyuty-na-svoi-scheta-v-zarubezhnykh-bankakh>

<sup>4</sup><https://www.vedomosti.ru/economics/articles/2022/02/28/911373-tsb-zapretil-perevodit-dividendi>

<sup>5</sup> Except purchase of placed shares to reduce their total number.



client. The credit institutions themselves determine the manner and form in which data will be transferred.

- 1.10. In addition, on 1 March 2022 Mikhail Mishustin, the head of the Government of the Russian Federation, announced during the governmental meeting the establishment of a special operational headquarter on increasing the sustainability of the Russian economy's development under sanctions to be led by the head of the Government. He also revealed that the draft of the decree of the President of the Russian Federation on the introduction of temporary restrictions on the withdrawal of foreign business from the Russian assets had been prepared. The text of the decree has not published by the time of this alert; therefore it remains unclear what kind of restrictions will be introduced and how they will be enforced.
- 1.11. We will update you on further developments and proposed legislation.

Should you have any questions on this alert, please contact us at [alerts@rgd.legal](mailto:alerts@rgd.legal).

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