



Legal Alert

The Central Bank of Russia addressed frequently asked questions about operation of the Russian financial system under sanctions regime

- 1.1. The Central Bank of Russia has posted on its official website¹ the clarifications to the questions which arise in connection with the operation of the Russian financial system under the sanctions imposed by the foreign countries and counter-sanctions and economic measures adopted by the Russian state authorities. We have summarized these clarifications in [Annex 1](#) below.
- 1.2. We note that the responses of the Central Bank shall be interpreted by taking into account the following update: on 5 March 2022 Visa and Mastercard announced that they decided to suspend their network services in Russia. This means that cards issued by the Russian banks will no longer be supported by Visa and Mastercard networks regardless of where they're used - inside or outside of Russia. All domestic transactions in Russia are mandated to be processed over a switch run by the Central Bank. Once the suspension of these network services is completed in the coming days, Visa and Mastercard will have nothing to do with these transactions.
- 1.3. We will keep you updated on any further developments.

Should you have any questions on this alert, please contact us at alerts@rgd.legal.

YOUR CONTACTS AT RGD:



Suren Gortsunyan

Partner, Advocate
Head of Corporate Practice

+7 495 139 6500
SGortsunyan@rgd.legal



Anastasia Konstantinova

Counsel, Advocate
Head of Sanctions Practice

+7 495 139 6500
AKonstantinova@rgd.legal



Nato Tskhakaya

Counsel, Advocate
Head of Antitrust &
Competition

+7 495 139 6500
NTskhakaya@rgd.legal

¹ www.cbr.ru

ANNEX 1

QUESTION	CENTRAL BANK'S CLARIFICATION	DATE OF CLARIFICATION
<p>1. How will payment cards work if they have been issued by banks that came under sanctions?</p>	<p>Cards of international payment systems and MIR cards issued by banks that have come under sanctions (VTB, Sovcombank, Otkritie, Novikombank, Promsvyazbank) are working and will continue working all over Russia. Clients' funds on bank accounts linked to such cards are also intact and available.</p> <p>Apple Pay and Google Pay services for cards issued by such banks are not working. However, the standard contact and contactless payments are fully available throughout Russia.</p> <p>The cards of banks under sanctions cannot be used to make payments abroad or to pay for the purchases in online stores and to service aggregators registered in the countries upholding the sanctions.</p>	<p>3 March 2022</p>
<p>2. Should we take out money from the banks targeted by sanctions and switch to other banks?</p>	<p>No. Money in banks on which sanctions have been imposed are fully available, just as in other banks.</p> <p>All banks hit by sanctions are stable and operate without interruptions.</p> <p>Yet, if you are planning a trip abroad you will need a card issued by another bank. Cards of banks under sanctions are working in Russia only.</p> <p>Nor is there any reason to take out your money from any other bank. The money is in its place, all transactions are and will be available. Please note that since the Central Bank of Russia (CBR) raised the key interest rate to 20% the interest rates on deposits have gone up radically as well.</p>	<p>3 March 2022</p>
<p>3. Why is it sometimes impossible (e.g. in the underground) to make a payment using a telephone?</p>	<p>This may happen in two situations. Firstly, if your card has been issued by a bank targeted by sanctions (VTB, Sovcombank, Otkritie, Novikombank, Promsvyazbank). In this case payment services Apple Pay and Google Pay are unavailable for cards of these banks, but you can still make contact and contactless payments using physical cards. And, naturally, all the funds on your bank account remain intact. Secondly, if the banks hit by sanctions own the payment terminal (POS-terminal). We recommend carrying your card with you to be able to make payments without using payment services.</p>	<p>3 March 2022</p>
<p>4. Will the disconnection of Russian</p>	<p>SWIFT is not involved in settlements performed with the use of bank cards inside Russia. SWIFT is just a financial messenger used by banks all over the world and this</p>	<p>3 March 2022</p>



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banks from SWIFT affect the work of bank cards held by Russian citizens?	<p>system being cut off causes inconveniences for international banking operations, but does not affect transactions within the country.</p> <p>Money on accounts of Russian banks' clients are safe and available. Bank cards are functioning in a standard way throughout Russia. Clients of banks under sanctions (VTB, Sovcombank, Otkritie, Novikombank, Promsvyazbank) are advised that they will not be able to use Google Pay and Apple Pay services and use cards of these banks to pay for their purchases abroad or in foreign online stores registered in countries upholding the sanctions. All other transactions are available in full.</p>	
5. Can an individual transfer funds to his/her own account abroad?	No, it is not possible to transfer funds to an account abroad.	3 March 2022
6. Can I transfer abroad the payments for education or medical services, as well as public utility payments?	Yes, these payments are permitted: you need to transfer funds to the account of the foreign organisation providing such services.	3 March 2022
7. Are there restrictions on accepting payments from abroad?	There are no such restrictions.	3 March 2022
8. Can Russian citizens continue paying for their purchases on foreign websites?	Yes, they can. However, cards of sanctioned banks will not work. Please also keep in mind that a purchase cannot be effectuated if the company has stopped working with Russia.	3 March 2022
9. What should investors do now with their broker's accounts?	It is still possible to buy and sell securities, take out and transfer money from broker's accounts to bank accounts, as well as to top up broker's accounts. In separate companies that have come under sanctions the purchase and sale of foreign securities may be limited. Under these circumstances the CBR suggests that	3 March 2022



	<p>investors not use borrowed funding to purchase securities, not act on impulse and not trust unverified information and rumours. The CBR is following up closely on the stability of brokers and is ready to act as required.</p> <p>Please note that in times of sharp fluctuations the trades on exchange platforms may be stopped. This does not jeopardise the safety of securities and funds transferred to a broker and the ability to take out funds to bank accounts or to transfer securities to other record-keeping institutions (depositories and registrars).</p>	
<p>10. Why are you helping banks rather than individuals? What kind of measures can the CBR take to support population in the face of sanctions?</p>	<p>The CBR is the regulator of financial market. Naturally, we help both individuals and companies, but we are doing this through the financial system.</p> <p>In helping banks the CBR ensures their stability and uninterrupted operation so that citizens could always have access to their money and use banking services — make deposits, transfer funds, withdraw money etc.</p> <p>The CBR has raised the key interest rate to 20% per annum. Deposits have now become a lot more attractive, some interest rates being even higher than the key rate. This will protect individuals' income and savings.</p> <p>We are making the regulation less stringent for banks to enable them offer their clients a restructuring of loans without charging default interest and penalties on borrowed funds. This applies to loans extended to individuals as well as businesses. The repayment holiday mechanism, which used to apply during the pandemic, will return in the near future.</p>	<p>3 March 2022</p>
<p>11. Will repayment holidays be introduced?</p>	<p>Yes, they will. The Federation Council has already adopted a law to this effect that has been drafted at the CBR's initiative.</p> <p>The repayment holiday mechanism, which is being introduced in the new law, was already used during the first wave of the pandemic in 2020. Borrowers, including individuals and SMEs, will be able to file requests for a deferral of up to six months on payments under credits and loans. These requests may be filed until 30 September. Individuals will be able to file such a claim if they have faced a considerable reduction (by 30% and more) in their income, while businesses will qualify for this benefit if they are working in industries included in the government-approved list.</p> <p>In 2020, such a mechanism gave many borrowers the break they needed, thereby proving to be an effective</p>	<p>4 March 2022</p>



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	<p>tool. 70–75% of borrowers that used it have managed to overcome their temporary difficulties and returned to the schedule of payments. In doing so the borrowers preserved their good credit status and the banks retained loyal customers.</p> <p>Before this law came into force, we had promptly provided recommendations to banks to restructure the loans for borrowers that faced difficulties as a result of the sanctions without reassessing the quality of such loans and forming supplementary reserves in this respect.</p>	
<p>12. What will happen to reduced-rate lending to SMEs?</p>	<p>At present, most of reduced-rate lending to SMEs is linked to the key interest rate. Given that this rate has grown up to 20%, the parameters of these programmes will require adjustments. The questions relating to the degree of subsidising the rates to end borrowers are within the competence of the government.</p> <p>The CBR believes that it would be prudent under the circumstances to ‘disconnect’ the rates from the key interest rate and fix them at certain values. The government should determine the list of industries and lines of business where SMEs require first-priority support.</p> <p>The CBR has promptly provided recommendations to banks to restructure the loans for borrowers that have faced difficulties as a result of the sanctions without reassessing the quality of such loans and forming supplementary reserves in this respect. The CBR is also discussing with businesses a wide range of support measures, including with account being taken of the CBR’s experience in anti-crisis support of SMEs during the first wave of the pandemic.</p>	<p>3 March 2022</p>
<p>13. Why has the CBR raised the interest rate so abruptly? Doesn’t it aggravate the economic situation which is already difficult?</p>	<p>No, the high interest rate is very helpful at the moment. It helps ensuring financial stability, suppress the inflationary spike and thus prevent the economy from shutting down. How does this work? The sharp increase in the key interest rate has made bank deposits extremely attractive: deposit rates in the largest banks already exceed 20%. This will protect our savings from devaluation and support demand in the economy in the future. On the other hand, this money will not flow to the foreign currency market. This will support rouble and, consequently, help restrain the inflation. Naturally, loans will become more expensive too. Yet, when the supply of goods on the market is limited, cheaper loans will not help in boosting consumption. They will only push prices</p>	<p>3 March 2022</p>



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	<p>up. In economic policy the correct sequence of actions is important. First, the financial market has to be stabilised and inflation suppressed, then supply chains will gradually start recovering and production will improve. Only after that the rates may be reduced and demand may be increased in the economy.</p>	
<p>14. May the bank increase the rate in an effective mortgage agreement?</p>	<p>No. Banks may not alter conditions under loans that have been extended on the terms of a fixed rate, including by increasing this rate. Almost all mortgage loans and retail loans have been extended on the terms of fixed rates.</p> <p>The CBR is preparing suggestions on how to support individuals who have loans with floating rates.</p>	<p>3 March 2022</p>
<p>15. What will happen to mutual investment fund units? Can money be withdrawn from them?</p>	<p>According to the law, management companies (“MCs”) shall suspend issuance, repayment and exchange of investment units, if it is impossible to determine the value of the fund’s assets and calculate the value of one unit.</p> <p>The reasons behind such decisions may be trade being suspended at the exchange market, or problems with determining the active market (one of the conditions under the International Financial Reporting Standards), or many others. This rule operates to protect the rights and legitimate interests of the unit owners. If the value of the unit is determined incorrectly, then the owner who acquires or repays it may be at a loss, leaving their part to those who remain in the fund; or, as an alternative, exiting at a greater benefit, leaving those who remain in the fund at a loss. The situation currently requires that MCs take prompt action which will allow to preserve their clients’ assets in the most efficient way.</p> <p>MSc started performing their obligation and discontinue transactions with the units. The management company must disclose such decision on its website.</p> <p>They may decide to resume issuance, exchange and repayment of units when the obstacles which create uncertainty in the calculation of the value of the fund’s assets are removed, for example, when the trade at the exchange market resumes. The unit holders retain all rights to their units, the CBR monitors the financial sustainability of the MSc and is ready to take necessary action to protect the rights of the unit holders. A special depositary indicated in the Unit Investment Fund trust management rules also controls that the MCs follow the statutory requirements.</p>	<p>3 March 2022</p>
<p>16. Is it possible to continue</p>	<p>Yes, this is possible, no restrictions have been adopted.</p>	<p>3 March 2022</p>

<p>paying debt in currency to a non-resident (a foreign company or a bank)?</p>		
<p>17. The bank started calling back quite often after an attempt to engage into a transaction, not allowing to perform such transaction from the first attempt. Is this how the banks prevent the money from being transferred?</p>	<p>The banks have become more vigilant due to more frequent cases of fraud, that is why they try to double-check transactions. This is not such a big nuisance as compared to the risk of losing money. Do not forget about safety: do not trust provocative and panic-driven messages in the social media; do not click the links in emails allegedly sent by the bank; do not talk to people who call suddenly and not after a notice from the bank regarding a transaction being suspended and purport to be from your bank, the Central Bank, the prosecutor's office and other bodies and try to intimidate you and obtain your data or coerce you into transferring the money to another account.</p>	<p>3 March 2022</p>
<p>18. How much currency may a person take abroad?</p>	<p>Up to US\$10,000 per each member of the family going abroad.</p>	<p>4 March 2022</p>
<p>19. Starting from 1 March 2022, can Russian banks use their correspondent accounts opened with the banks located outside the Russian Federation?</p>	<p>The prohibition to transfer monetary funds in foreign currency to own accounts opened with the banks located outside the Russian Federation does not apply to the Russian credit institutions.</p>	<p>2 March 2022</p>
<p>20. Is there a ban on the transactions whereby a resident receives foreign</p>	<p>Starting from 1 March of this year, there is ban only on transfers by a non-resident of monetary funds in foreign currency both under newly executed loan agreements and the loan agreements in effect as of the above date. Transfers of monetary funds in foreign currency to a non-resident as part of performance of the existing loan</p>	<p>2 March 2022</p>

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<p>currency in the form of repayment of a loan by a non-resident, or payment of interest/fines by a non-resident, or other payments provided for under a loan agreement?</p>	<p>agreements entered into before 1 March of this year should be discontinued immediately.</p> <p>However, currency transactions whereby residents receive foreign currency upon performance by non-residents of their obligations under loans earlier issued by residents to non-residents are not restricted (including the transactions whereby non-residents repay the loan or pay interest and/or fines under such loan).</p>	
<p>21. Have the transactions relating to the performance by the residents of their obligations under loan agreements under which a non-resident grants a loan to a resident been banned?</p>	<p>Residents are not prohibited from performing their obligations to non-residents under loan agreements under which a non-resident grants a loan to a resident.</p>	<p>2 March 2022</p>
<p>22. Can residents buy goods abroad, pay for services, including those relating to utility bills for the property located abroad, pay for education and medical services?</p>	<p>The Decree does not prohibit residents (individuals and legal entities, individual entrepreneurs, private practitioners, self-employed persons) from making payments to non-residents either in the currency of the Russian Federation or in foreign currency for the above purposes.</p>	<p>2 March 2022</p>
<p>23. How is the amount of foreign currency</p>	<p>80 percent of the amount of the foreign currency subject to a mandatory sale is calculated by a resident who participates in foreign trade activities independently from the amount of the balance of the foreign currency</p>	<p>2 March 2022</p>



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<p>received from a non-resident starting from 1 January 2022, with respect to which a mandatory sale of foreign currency proceeds by a resident who participates in foreign trade activities is required, determined?</p>	<p>on the accounts (including transit currency accounts, settlement accounts, deposit accounts) of the resident who participates in foreign economic activities as of 28 February 2022 and which was received from the export activities from 1 January 2022 through 28 February 2022. To prove that such balance of foreign currency is export proceeds, such resident provides information to an authorised bank justifying the balance of export proceeds on the accounts(s) of the resident who participates in foreign economic activities, such information to be confirmed, <i>inter alia</i>, by the statements of account(s).</p>	
<p>24. Does the requirement regarding a mandatory sale of a portion of currency proceeds apply to foreign currency which is currency proceeds received starting from 1 January 2022, but which were placed on deposit by the resident as of 28 February 2022?</p>	<p>A requirement regarding the mandatory sale of a portion of foreign currency applies, <i>inter alia</i>, to such monetary funds in foreign currency placed on deposit.</p>	<p>2 March 2022</p>
<p>25. At what exchange rate is the mandatory sale of a portion of the currency proceeds effected?</p>	<p>There are no specific requirements with respect to the exchange rate at which the mandatory sale of a portion of the currency proceeds should be effected. Currently, such sale is effected at the market exchange rate. Residents may choose any manner in which to effect such sale from among those provided for under the law.</p>	<p>2 March 2022</p>

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<p>26. Is it possible to effect the mandatory sale of foreign currency in portions?</p>	<p>The mandatory sale of the currency proceeds may be effected in parts, provided that 80 per cent of the amount of the foreign currency subject to a mandatory sale is sold within three business days following crediting, as per Clause 2 of the Decree.</p>	<p>2 March 2022</p>
<p>27. What types (kinds) of foreign currency are subject to a mandatory sale?</p>	<p>Currently, the mandatory sale applies to a portion of the currency proceeds received from non-residents in any type (kind) of currency.</p>	<p>2 March 2022</p>
<p>28. How do the requirements of the Decree on the mandatory sale of a portion of the currency proceeds correlate with the requirements of other statutory regulations, in particular, those granting preferences (benefits) to the residents of a special economic zone (for example, residents of the Kaliningrad Region)?</p>	<p>The obligation to sell foreign currency effective from 28 February 2022 applies, <i>inter alia</i>, to the residents of the Kaliningrad Region special economic zone who participate in foreign trade activities.</p>	<p>2 March 2022</p>
<p>29. Should the credit institutions control the clients' transactions and, if a transfer of</p>	<p>Credit institutions who are currency control agents must control the currency transactions in which the clients engage for their legitimacy and refuse to perform illegitimate currency transactions.</p>	<p>2 March 2022</p>



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<p>monetary funds by a client in foreign currency is detected to the client's account opened with the banks located outside the Russian Federation and other financial market organisations, refuse to perform the client's order?</p>		
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