



Business related sanctions in Russia

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Sanctions between the EU and Russia are also hurting uninvolved entrepreneurs. While the sanctions imposed by the EU (exclusion of several Russian banks from the SWIFT system, embargoes on certain groups of goods and the sanctioning of certain individuals) are well known, there is often no precise knowledge about the restrictions imposed by the Russian side, which also and especially affect Western entrepreneurs with activities in Russia.

The Russian president has already signed several counter-sanctions decrees that, among other things, “establish a special procedure for doing business with foreigners associated with states that commit unfriendly acts against the Russian Federation and its citizens”.

Here you will find [the most important information and updates](#), with a focus on the areas of business and law.

Transactions with real estate and securities in Russia require approval

On March 6 the Russian government issued new rules for transactions with companies from “unfriendly countries”. Russian companies must submit transactions with companies and individuals from “unfriendly countries” to a specially established Governmental

Commission on foreign investment for approval. The new regulations cover the granting of loans (in rubles and foreign currency) and the purchase and sale of securities and real estate as well as other transactions. The Governmental Commission may approve the proposed transaction with or without reservations or reject it. Real estate transactions between foreigners and Russian citizens are considered approved.

Russian companies are obliged to exchange foreign currency into rubles (Presidential Decrees No. 79, No. 126, Instructions of the Central Bank)

Russian companies (and thus also subsidiaries of Western companies) have been required to exchange 80% of foreign currency received from foreign companies under foreign trade contracts into rubles since February 28, 2022. This requirement applies to foreign exchange received in Russian accounts on or after January 1, 2022. The mandatory exchange must be made within three working days from the date of receipt of the foreign currency, or now for the first time for all amounts received since January 1, 2022. In addition, as of March 1, foreign exchange transactions related to the provision of foreign currency by residents for the benefit of non-residents under credit agreements are prohibited.

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Since March 25, the Central Bank has introduced a procedure providing for exemptions from general rules for the sale of foreign exchange proceeds and payment of shares, capital contributions for non-residents.

The decision establishes the procedure by which the Central Bank grants permission:

- Sale of foreign exchange proceeds later than 3 days;
- Reduction of foreign currency sales by the amount of foreign currency liabilities to Russian banks;
- Payment of interest, contributions or shares in the capital/assets of a non-resident;
- Transfer of foreign currency to a non-resident under a corporate contract.

The decision also provides for the list of documents required to obtain a permit.

The Central Bank shall issue a permit or a refusal within 10 working days of receipt of all required documents.

Foreign exchange restrictions for private individuals

Private individuals have been allowed to export a maximum of USD 10,000 since March 2 (calculated according to the current Central Bank exchange rate). Foreign currency transfers made by foreigners who do not work in Russia and come from unfriendly countries are fully restricted for 6 months.

In addition, a ban on export of foreign currency in cash equivalent to more than USD 10,000 from Russia was introduced from March 2, 2022.

The Central Bank ordered that citizens can withdraw only USD 10,000 in cash from foreign currency accounts until September 9, regardless of the currency. Payments above this amount will be made in rubles. VAT will no longer be charged on the sale of gold bars and coins.

On March 25, the Central Bank of Russia published a decision on further restrictions on payments abroad.

Within the framework of its powers under the Presidential Decree of March 18, the Central Bank has set a ceiling on the payment of advances by residents to foreign legal entities and individuals.

The ceiling is 30% of the amount of obligations under each contract and applies to:

- Service contracts and work execution contracts by non-residents;
- Contracts providing for transfer of information and results of intellectual property/activity.

The Central Bank's Decision of March 25, 2022 provides for certain exceptions, e.g. for resident credit organizations as well as for financial services contracts.

Under the decision, non-residents - legal entities from "unfriendly" states - cannot buy currency in Russia.

Capital controls

On March 18, 2022, the Russian President signed a decree on further temporary measures in the area of foreign exchange regulation to ensure financial stability. The decree enacts a new procedure for meeting obligations to certain foreign creditors. Under this decree, certain transactions require the approval of the Russian Central Bank. Normal commercial transactions are generally not affected. The granting of loans to subsidiaries and the distribution of dividends from Russian limited liability companies to their foreign shareholders are not affected by the decree.

In addition, the Central Bank is authorized to restrict the scope for remittances to foreign companies and individuals. The Central Bank may grant a resident person conducting foreign trade transactions permission to meet the requirements for compulsory exchange of foreign currency under Decree No. 79 of February 28, 2022, within a period other than that provided for, or to exempt such person from compulsory exchange altogether. The document regulates, for example, advance payments by residents in favor of non-resident legal entities and individuals under contracts, transfers of funds from accounts opened with Russian credit institutions, and purchase of foreign currency on the Russian foreign exchange market.



External administration for companies with foreign participation planned

The Russian government plans to introduce a draft law “On External Administration for the Administration of Organizations” to the Russian Parliament in the near future, which, among other things, will regulate the procedure for appointing external administration for Russian companies with foreign shareholders from so-called “unfriendly states”.

The draft law has already been approved by the “Governmental Commission for Legislative Activities”. On March 16, the Tax Service and the Central Bank expressed their comments. Whether and when the draft law will be introduced into the Parliament, the Duma, has not yet been determined.

The aim of the law is to prevent subsidiaries of foreign companies from ceasing their activities in Russia for no reason or for political motives, thus endangering jobs and the Russian economy as a whole. The draft law stipulates that the foreign management function is to be transferred to the state-owned company “VEB.RF” (State Investment Company for the Promotion of Russian Development Projects), which, among other things, carries out the fiduciary management of state assets. In the case of financial organizations, i.e. banks in particular, these functions are to be performed by the “Agency for Deposit Insurance” which acts as insolvency administrator for insolvent banks.

However, third-party administration is envisaged only in the case of larger companies that meet the following criteria:

- the foreign participation from an “unfriendly state” is above 25%;
- the book value of the company’s assets according to the latest financial statements exceeds RUB 1 billion (approx. EUR 8.2 million) and/or the average number of employees in the month preceding the application for the appointment of third-party administration exceeds 100 people;
- the company’s activities have ceased in violation of the law.

Please note that it is not yet clear whether this bill will be approved, and if so, in what version. Currently, the

Draft is being actively discussed among business community.

Export ban and legalization of parallel imports

The government has drawn up a list of goods and equipment previously imported into Russia from abroad that are temporarily banned from export from Russia.

Presidential Decree No. 100 of March 9, 2022:

Prohibition and restrictions on import and export of certain goods and raw materials until December 31, 2022.

Government Decree No. 311 of March 9, 2022:

Prohibition on the export of over 200 types of goods, esp.:

- household appliances;
- medical devices;
- technical products;
- agricultural products;
- electrical equipment.

Government Decree No. 313 of March 9, 2022:

Ban on export of the following goods to “unfriendly countries” (esp. EU):

- wood;
- raw wood materials;
- wood coating materials;
- other untreated wood materials.

Government Decree No. 506 of March 29, 2022

The Russian government has decided to allow the import of original goods of foreign origin without the



consent of the rights holders (parallel import). The liability for parallel import is abolished.

Previously, this was officially permitted only with the consent of the rights holder. The Ministry of Industry and Trade is currently drawing up a list of goods that can be imported without the consent of the right holder. This is intended to make it possible to circumvent foreign sanctions for the benefit of Russian consumers, especially in the luxury goods segment.

The basis for this permissibility of parallel import is an amendment to the law of March 8, 2022 (Federal Law No. 46-FZ).

However, the goods imported to Russia will continue to be subject to all necessary customs and control procedures.

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The Alliuris Group

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