

## CHANGES IN REGULATING TRANSACTIONS WITH PERSONS FROM UNFRIENDLY COUNTRIES

Dear Sirs or Mesdames,

19.11.2024

at this moment, for companies with Western participation, coordination of transactions with the subcommittee of the Government Commission for Control of Foreign Investments in the Russian Federation remains of great relevance. The subcommittee has the right to make decisions on the issuance by the Government Commission of permits for residents of the Russian Federation to carry out transactions with foreign persons from unfriendly countries, as well as currency transactions.

We would like to remind you that **unfriendly countries**, in accordance with the order of the Government of the Russian Federation dated 05.03.2022 No. 430-p, include, among others, Australia, Great Britain, Canada, the Republic of Korea, the USA, Ukraine, Switzerland, Japan and all member states of the European Union.

In particular, in the Decree of the President of the Russian Federation dated 08.09.2022 No. 618 restrictions were established for the execution of transactions that directly and/or indirectly entail the establishment, change or termination of the rights of ownership, use and/or disposal of shares in the authorized capital of limited liability companies or other rights that make it possible to determine the conditions for management of such companies. First of all, these are **transactions for disposal of shares in the authorized capital of limited liability companies**, which have become relevant due to the desire of a number of Western companies to temporarily or permanently leave the Russian market due to the political situation.

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Such transactions can only be carried out on the basis of **permits issued by the Government Commission for Control of Foreign Investments in the Russian Federation**, which, if necessary, contain the conditions for carrying out these transactions. The procedure and criteria for issuing permits are constantly updated with a tendency to become stricter, which is aimed at complicating the exit of Western businesses from the Russian market and maintaining their presence in the Russian Federation.

In addition to the requirements for documents that must be drawn up and submitted for approval, from the end of 2022, in order to alienate the share of an "unfriendly" participant of a limited liability company, it is necessary to pay a voluntary contribution to the budget of the Russian Federation (see our [previous review on changes in this area](#)), as well as to carry out the transaction with a mandatory discount.

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At the end of October 2024, the Ministry of Finance of Russia published an updated regulation ([Extract from the minutes of the meeting of the subcommittee of the Government Commission for Control of Foreign Investments in the Russian Federation dated 15.10.2024 No. 268/1](#)). The new procedure includes the following:

1. The amount of the **voluntary contribution** to be paid to the budget when Russian companies are disposed of by "unfriendly" participants has increased. Now it is 35% of the market value of the asset based on the results of its independent assessment (previously it was necessary to pay 15%).

An installment plan was introduced for payment of the contribution. 25% of the asset value must now be transferred to the Russian Federation budget within a month from the date of the transaction, 5% within a year, and another 5% within two years from that date.

2. In addition, the size of the **mandatory discount to the market value of the asset** upon alienation of an LLC has been changed. Now it must be a minimum of 60%, whereas previously the company could be sold for 50% of its market value.

Also, if the market value of the alienated assets is more than 50 billion rubles, the **consent of the President of the Russian Federation** will be required to complete the transaction.

The new conditions should apply both to future applications for approval of transactions, and to those already submitted, but not considered by the Government Commission.

Other news includes amendments to the Decree of the President of the Russian Federation dated 04.05.2022 No. 254 regarding the **payment of profit of Russian resident companies to their foreign participants**.

Let us remind you that in order to pay "unfriendly" participants profit in an amount exceeding 10 million rubles per calendar month or the equivalent of this amount in foreign currency, it is necessary to follow the procedure established by the Decree of the President of the Russian Federation dated 05.03.2022 No. 95. This procedure involves opening a **special account of type "C"** in a Russian credit institution in the name of a foreign creditor, through which the corresponding settlements are made. At the same time, the Ministry of Finance of the Russian Federation was given the authority to determine a different procedure for payment of residents' profits to foreign creditors, which meant the need to obtain **permissions from the Ministry of Finance** for this procedure.

From 09.09.2024, the authority to issue permits for the payment of dividends by Russian companies to persons from unfriendly countries **was granted to the Government Commission for Control of Foreign Investments in the Russian Federation**. Such permits may contain conditions for the payment of profits.

The Government of the Russian Federation will additionally develop and approve the procedure for issuing such permits by the Government Commission. After the adoption of the changes, the procedure and terms for approving the payment of dividends may become milder.

We will keep you updated on the news of the relevant regulation, and are also ready to provide legal support when interacting with authorized bodies on issues of approving transactions and paying dividends to "unfriendly" foreign persons.

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