

The Commission is authorised to issue recommendations on transactions requiring approval by the Russian President

On 26 February 2024, amendments* were made to Presidential Decree No. 520 dated 5 August 2022 (the "**Decree**") concerning transactions involving shares (participatory interests) in particularly significant companies in the financial and energy sectors, that cannot be completed without special approval by the Russian President.

We remind that according to the Decree, transactions involving shares (participatory interests) in particularly significant companies may only be made on the basis of special approval* by the Russian President if such companies meet the criteria listed in the Decree and/or the lists which are approved by a special decree of the Russian President and resolutions of the Russian Government.

There are no regulations that would define the procedure for obtaining such approval from the Russian President.

In practice, when submitting an application filing for special approval by the Russian President, the applicants follow by analogy the rules applicable to submitting documents to the Government Commission for Control over Foreign Investment in the Russian Federation (the "**Commission**"), which is responsible for approving less significant similar transactions in respect of companies that are not on the above lists.

The amendments to the Decree imply that, to obtain special approval from the Russian President, the applicant will now have to receive the Commission's reasoned recommendation on the advisability of the transaction.

No procedure for obtaining such a recommendation has been developed to date. We assume that the general rules and procedure for obtaining the Commission's authorisation for transactions involving assets of "unfriendly" foreign shareholders may be extended to obtaining a recommendation under the Decree. This issue is expected to be clarified in the near future by a relevant resolution of the Russian Government.

Review of a transaction and issuance of a relevant recommendation by the Commission do not replace the need for the application to be considered and a special approval to be issued by the Russian President, without which the transaction cannot be made.

With respect to financial organisations, the Decree also clarifies the sequence of actions to obtain necessary permits from competent authorities. Specifically, before applying to the Commission for a recommendation on a transaction, the applicant has to obtain the Bank of Russia's consent to the transaction as required by applicable laws (in particular, laws on banks and banking).

Importantly, despite the changes made, the Decree still allows the Russian President to issue special approvals for transactions involving assets listed in the Decree without first obtaining the Commission's recommendation. However, the Decree contains no criteria to apply this exemption.

It appears that, in practice, an applicant will have to submit two sets of documents in parallel, both to the Commission and to the Russian Presidential Administration, in order to decide whether the Commission's recommendation is to be obtained.

We will monitor further development of the regulatory framework and practice for the approval of transactions involving shares (participatory interests) in Russian companies.

* *In Russian*

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