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State Duma complicates buyback of Russian assets by foreign owners

Русская версия >>

On 4 August 2026, a law* came into force amending the legal regime of foreign investment in Russia. The document significantly restricts the ability of former owners from "unfriendly" states to reclaim Russian assets they had previously sold.

The law supplements Federal Law No. 160-FZ "On Foreign Investments in the Russian Federation" with a new Article 20.1, which establishes a mechanism for terminating the right to repurchase (exercise a buyback option on) assets in Russia. The provisions apply to transactions concluded after 22 February 2022 involving persons connected with "unfriendly" states.

Termination of the buyback option may only be effected through the courts. A claim may be filed with the Arbitrazh Court of the Moscow Region either by the acquirer of the asset, after obtaining the positions of the relevant ministry and the Government Commission for Control over Foreign Investment, or by the relevant ministry itself after obtaining the Government Commission's approval. The court will consider such a dispute regardless of any international arbitration clause.

The right can be terminated only if two conditions are met simultaneously:

Condition 1 (the "behavioural" criterion). After 22 February 2022, the former owner committed at least one of the following acts:

- publicly supported "unfriendly" actions against the Russian Federation;
- discredited the Russian Armed Forces;
- financed terrorism, extremism, or the proliferation of weapons of mass destruction;
- publicly announced the termination or suspension of its activities in Russia and took related actions, e.g. restricted the conclusion and performance of contracts, terminated them, prohibited the use of intellectual property in Russia, or unreasonably discontinued supplies, works, or services.

Condition 2 (the economic criterion). The buyback price deviates from the market price by 25% or more, or the acquirer made additional investments to prevent the asset from shutting down.

A former owner whose buyback right has been terminated may demand compensation from the acquirer within one year. The court may reduce the amount of such compensation based on the former owner's conduct and the scale of the acquirer's investments. It may also deny compensation entirely if the former owner or its directors have been found liable for financing terrorism, extremism, or the proliferation of weapons of mass destruction.

The law creates an additional barrier for persons from “unfriendly” states to reclaim their assets. Formally, the possibility of a buyback is preserved, but in practice it is substantially restricted by the need to satisfy both the “behavioural” and financial criteria, as well as to obtain the Government Commission approval.

The key risks arise from the discretionary nature of the grounds for terminating the buyback option. In particular, public statements about market exit are common for any Russian business sale transaction. The criterion of a 25% price deviation from market value also creates uncertainty, given the natural fluctuations in asset value and the investments made.

We recommend reviewing existing option agreements to assess whether the new rules could apply to them.

** In Russian*

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An article by Georgy D Natalia Kozyrenko for / Law Journal.