

## New restrictions on transactions with shares and participatory interests in Russian legal entities

25 October 2022

On 15 October 2022, [Presidential Decree No. 737\\*](#) (the "**Decree**") was published which, among other things, established an additional list of transactions or operations requiring permission from the Government Commission for Control Over Foreign Investment in the Russian Federation (the "**Commission**").

The Decree extends the requirements for Commission approval to the following transactions:

1. Transactions in respect of shares of Russian joint stock companies ("**JSCs**"), including:
  - direct or indirect emergence, establishment, change or termination of rights to shares in a JSC; and
  - transactions with the rights allowing to determine the conditions of management of a JSC or the implementation of business activities by a JSC.

At the same time, according to the Decree, the Commission's permission for transactions with the shares of a JSC is required if the transaction is made between:

- foreign persons or entities associated with states that commit "unfriendly acts" (the "**Restricted Persons**"); or
- a Restricted Person and other foreign persons or entities.

Thus, the Decree extended to transactions in relation to JSCs the procedure for obtaining permission from the Commission established by [Presidential Decree No. 618](#) in relation to transactions with participatory interests of Russian limited liability companies ("**LLCs**").

In general, this development was expected, because, before that, transactions in relation to LLCs were subject to stricter and more comprehensive regulation than transactions in relation to JSCs. After the adoption of the Decree, the restrictions in relation to JSCs and LLCs became almost identical.

We note that the Decree does not formally apply to transactions in JSC shares between Russian residents or beneficiaries and Restricted Persons.

However, it is worth recalling that transactions or operations between residents and Restricted Persons, which entail the emergence of ownership of securities (which also include shares in Russian JSCs), also require permission from the Commission under [Presidential Decree No. 81\\*](#).

Thus, when carrying out transactions in relation to JSCs, it is necessary to take into account both the new Decree and previous Presidential Decree No. 81.

2. Transactions in respect of shares or participatory interests in Russian financial institutions (including credit institutions and insurance companies), namely:

transactions directly or indirectly establishing, changing or terminating rights to more than 1% of the interests / shares or 1% of the votes attributable to the shares / interests in financial institutions.

The Commission's authorisation for transactions involving financial institutions is required if at least one of the parties to or the beneficiary of the transaction is a Restricted Person.

At the same time, such permission will not be required if the Restricted Person is under the control of Russian beneficiaries (provided that information on control is disclosed to the tax authorities), or under the control of foreign persons not belonging to "unfriendly" jurisdictions (provided that such control was established before 1 March 2022).

In addition, the Decree also extended the special procedure for the fulfilment of monetary obligations through C-type accounts provided for by [Presidential Decree No. 95](#) to payments to Restricted Persons within the framework of procedures for the reduction of charter capitals, liquidation or bankruptcy of Russian legal entities.

Thus, the Decree further tightened the requirements for transactions in relation to Russian legal entities, in particular, financial institutions and JSCs, as well as introduced additional restrictions on the transfer of funds in favour of Restricted Persons.

We will continue to monitor developments and inform you of further changes.

In the meantime, you may wish to review alerts we published on related topics:

1. [Review](#) of Presidential Decrees No. 79 dated 28 February 2022 and No. 81 dated 1 March 2022 regarding transactions with Restricted Persons
2. [Review](#) of Presidential Decree No. 95 dated 5 March 2022 approving a new procedure for the performance of obligations to certain foreign counterparties
3. [Review](#) of Presidential Decree No. 520 dated 5 August 2022 prohibiting transactions with shares or participatory interests in certain Russian organisations
4. [Review](#) of Presidential Decree No. 618 dated 8 September 2022 on the special procedure for carrying out or performing certain types of transactions or operations between certain persons

\* *In Russian*

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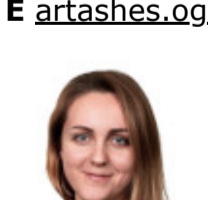
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