

Exit restrictions for foreign investors in certain Russian investment projects

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Direct or indirect transactions with shares, participatory interests, rights and obligations in relation to certain Russian entities and owned by foreign persons or entities related to “unfriendly states” are now prohibited. On 5 August 2022, Presidential Decree [No. 520*](#) (the “**Decree**”) came into force to introduce this ban.

The ban is aimed at restricting foreign investors’ withdrawal from strategic investment projects in Russia.

At the same time, the Decree allows for “individual” approval of transactions prohibited by the Decree based on a special decision of the Russian President. However, the procedure for obtaining such a special decision has not yet been defined.

Russian organisations falling within the scope of the Decree

The prohibition established by the Decree covers transactions with shares, participatory interests, rights and obligations in respect of the following Russian commercial companies:

- strategic enterprises and joint-stock companies, listed in a separate [Presidential Decree*](#) dated 4 August 2004, and companies in which such strategic enterprises or joint-stock companies have a stake;
- participants in the Sakhalin-1 Production Sharing Agreement and Kharyaga Oil Field Development and Production Sharing Agreement.

At the same time, transactions and other operations in connection with restructuring of the Sakhalin-2 project is expressly outside the scope of the Decree since Presidential Decree [No. 416*](#) regulating the procedure for “restructuring” this investment project (by creating a new operator that is a Russian legal entity) had already been adopted in relation to it; and

- Russian business entities which are users of certain subsoil areas (e.g. hydrocarbon deposits, uranium, diamonds, etc. as listed in the Decree).

In addition, more lists falling within the scope of the Decree are expected to be approved in the near future for:

- companies involved in the fuel and energy sector (including manufacturers of fuel and energy complex equipment, producers and suppliers of heat and/or electricity, companies involved in the processing of oil, petroleum raw materials, etc.); and
- Russian credit institutions.

Prohibited transactions

The Decree contains a broad list of transactions or operations in respect of the Russian commercial companies indicated above, which fall under the ban, namely any direct or indirect establishment, change, termination or encumbrance of rights of possession, use and/or disposal of:

- securities, participatory interests, contributions of the above Russian commercial companies;
- participatory interests, rights and obligations belonging to parties to production sharing agreements, joint venture agreements or any other investment agreements.

Any such transaction will be prohibited when the relevant securities, participatory interests, contributions, rights or obligations belong to foreign persons associated with “unfriendly states”.

In practice, this means that any transaction in any way related to investments previously made by foreign companies from “unfriendly jurisdictions” in Russian companies and projects listed in the Decree can only be implemented subject to a special decision of the Russian President.

* *In Russian*

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