ANALYTICS

WILL FOREIGN INVESTORS BE DENIED THE BUYBACK OF THEIR RUSSIAN ASSETS?

On 21 July Russia's State Duma, the lower house of parliament, passed at both second and third reading amendments setting out the procedure for refusing foreign investors who left the country after the start of the military conflict in Ukraine in 2022 the right to buy back their assets. As of 23 July the bill was before the Federation Council, the upper house, and is expected to be signed into law by President Vladimir Putin shortly.

President Putin had ordered the terms for such buybacks to be drawn up as long ago as April 2025. An initial version of the amendments was prepared the following month and was subsequently rewritten by the economy ministry but was never taken up. The new version has now been folded into a bill intended to make it easier for foreign companies controlled by Russian business to move back to Russia in cases where unfriendly countries obstruct their redomiciliation. Just about five days elapsed between a group of deputies tabling the amendments and their adoption.

Key provisions

The amendments add to the law on foreign investment a new article governing the exercise by a foreign investor of the right to buy back a business asset it previously owned in Russia. They apply to investors from jurisdictions Moscow deems unfriendly which, after 22 February 2022 — the day the US began imposing sanctions on Russia over the situation in Donbas — sold shares, stakes in charter capital or other business assets to a Russian individual or company, or to a citizen of a country friendly to Russia, with a buyback option. The previous version of the amendments referred only to shares and stakes in charter capital, with no mention of «business material assets» — lawyers say the term is intended mainly to capture real estate.

A foreign investor's buyback right can be terminated through a Russian court — irrespective of whether the investor has expressed any wish to reclaim the asset — provided two conditions elaborated below are met simultaneously.

The first is that, at some point after 22 February 2022, the foreign investor did at least one of the following:

- publicly supported or called for sanctions against Russia, its citizens or its companies;
- discredited the use of Russia's Armed forces or spread false information about the Russian military;
- engaged in activity connected with the financing of terrorism, of extremism or of the proliferation of weapons of mass destruction;
- publicly announced that it was ending or suspending its operations in Russia, or "took action (or failed to act) in connection with such an announcement", or improperly discharged its obligations, including those arising from shareholder or similar agreements;
- restricted the conclusion, implementation or termination of contracts material to the operation of the asset, including by barring the use of its intellectual property in Russia.

The second condition is that the contract provides for the asset to be bought back at a price diverging from market value by 25 % or more, or that the Russian buyer has made additional investments without which the business would have been substantially scaled back or shut down. In many instances Russian businesses were sold by foreign companies at deep discounts, and option agreements reportedly could suggest possibility of buyback at low price.

Room for interpretation

According to the amendments, actions taken in leaving Russia will count as having been "committed" for the purposes of application of the law if they were politically motivated or amounted to direct compliance with western sanctions. If the exit was forced — because sanctions objectively broke supply chains, for example — that will not be grounds for refusing to honour the buyback option. Interpreting the reasons for departure in each individual case is to fall to the Moscow Region Arbitration Court. It will hear applications for the unilateral termination of an option even where the parties' agreement provided for disputes to be settled in a foreign jurisdiction — though for that to be applied, one of the parties (presumably the Russian one) must be subject to foreign sanctions.

Both the asset's new owner and the ministry responsible for the sector concerned may apply to the court at any time to have the foreign investor's buyback right terminated, but in either case an opinion from the government commission that vets foreign investment will be required.

The foreign investor has one year in which to claim compensation from the buyer of the asset for option termination, though the amendments do not set out how it is to be calculated. The court may reduce the sum "in the light of the nature of [the investor's] actions" and of the scale of the investment the buyer has put into the asset or refuse it altogether if the non-resident or one of its senior executives turns out to have been involved in financing terrorism or extremism.

The real prospects of a return

No official figures on the volume of buyback requests from foreign companies are publicly available. But the very fact that Russian lawmakers have returned to the initiative a year on and are preparing restrictive mechanism of this kind may indirectly suggest that there may be cases in which foreign companies are attempting to exercise buyback options, Natalia Strelkova, a senior consultant at Kamenskaya & Partners, a law firm, told RBC. Other experts argue that genuine appetite among departed western businesses for a return to Russia will emerge only if the geopolitical backdrop improves substantially and durably.

As a general rule, since 12 July 2023 the term of buyback options that the government commission would be potentially willing to approve has been just two years. The number of businesses to which the amendments could apply is therefore potentially fairly limited. The law will, however, carry more force than the rules of the subcommission that authorises transactions by non-residents.

Roughly 30 % of buyback options had already expired for the foreign member companies of AmCham Russia that had sold their Russian businesses, Robert Agee, president of the chamber, said in the spring of 2025. Among the few publicly discussed examples of such options is the sale of McDonald's Russian business, now Vkusno i Tochka, to Alexander Govor, a businessman who has said the option runs for 10 to 15 years.

Upsides for Russian owners

Georgy Kovalenko, a partner at B1, said the mechanism introduced by the amendments matters to the current owners of assets because it allows them to hedge against the risk of restrictions on their rights as proprietors — if, for instance, the agreement with the departing foreign investor barred the sale of a stake to third parties without consent. Foreign investors and Russian buyers did indeed frequently write restrictions on the new owner's management of the asset, including on any onward sale, into option agreements, particularly during the first wave of foreign exits in 2022–23.

Anastasia Matveeva, director of the tax and legal department at DRT, does not expect terminations of buyback rights to become widespread: many foreign investors' options have already expired or are about to. Once the law takes effect, she said, the degree of uncertainty facing foreign investors will rise and Russian assets will become less attractive.

Andrei Shiryaev, a partner in the legal practice at Kept, noted, however, that on some assets sold by foreigners the buyback windows run for as long as 15 years. Existing owners are better off waiting for those to expire, he argued, since foreign investors have so far shown little activity on buybacks and invoking the mechanism carries the risk of having to pay compensation.

Overall, any potential interest in foreign business returning to Russia is too closely bound up with assessments of the prospects for a peace settlement in Ukraine and an easing of sanctions pressure, experts say.

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