

Newsletter

New restrictions for disposal of shares in key strategic energy/mining companies and banks in Russia

August 7, 2022

Dear Ladies and Gentlemen,

As a matter of important update which may impact potential and scheduled transactions in Russia, please be advised that on 5th of August 2022 the President of the Russian Federation has signed Decree No. 520 "On Application of Special Economic Measures in Finance and Fuel and Energy Areas related to Unfriendly Actions of Certain Foreign States and International Organizations" ("**Decree No. 520**").

According to Decree No. 520, as response to unfriendly and unlawful (contrary to the international law) actions of the United States of America and foreign states and international organizations which adjoined the United States of America, aimed at imposing restrictive measures in relation to the Russian citizens, and Russian legal entities, the following restrictions were introduced.

1. Until 31 December 2022 it is prohibited to consummate transactions (operations), if ("**Prohibited Transaction**"):
 - i. A transaction (operation) entails directly and/or indirectly creation, modification, termination of proprietary rights in relation to ("**Securities / Interests**"):
 - securities of Russian legal entities;
 - participatory interest (contributions) comprising charter (share) capital of Russian legal entities;
 - interests, rights, and obligations of the parties to production sharing agreements, joint venture agreements, and other agreements regulating implementation of investment projects in the territory of the Russian Federation, and
 - ii. Securities / Interests belong to:
 - foreign persons related to "unfriendly" states (including if an "unfriendly" state constitutes such foreign person's citizenship, place of registration, primary place of business activity or earning profit)
2. Prohibition referred to in section 1 above applies to the transactions (operations):
 - i. with shares of strategic joint-stock companies included into the list approved by the Decree of the President of the Russian Federation dated 4 August 2004 No. 1009 ("Strategic JSCs");
 - ii. with shares, participatory interests (contributions) of the legal entities, in which Strategic JSCs own directly or indirectly shares, participatory interests (contributions);
 - iii. with interests, rights, and obligations of participants of production sharing agreements specified in Decree No. 520;
 - iv. with shares, participatory interests (contributions) of ("**Fuel and Energy Companies**"):
 - companies which produce equipment for fuel and energy complex enterprises and perform maintenance and repair services in respect of such equipment;
 - companies which produce and supply heat and/or electrical energy;
 - companies engaged in refining petroleum and petroleum feedstock and producing petroleum refinery products.

Please note that the list of Fuel and Energy Companies shall be submitted by the Russian Government to the President for approval within 10 days from the date of Decree No. 520 (which is 15 August 2022).
 - v. with shares, participatory interests (contributions) of Russian credit institutions ("**Credit Institutions**"). Please note that the list of Credit Institution shall be submitted by ("**Foreign Persons of "Unfriendly" States**"); and
 - person which are controlled by Foreign Persons of "Unfriendly" States.

the Russian Central Bank to the President for approval within 10 days from the date of Decree No. 520 as well.

vi. with shares, participatory interests (contributions) of the legal entities being users of:

- subsurface sites situated in Russia and containing deposits of uranium, high purity raw quartz, rare earths of yttria group, nickel, cobalt, tantalum, niobium, beryllium, copper and hydrocarbons with extractable reserves of at least 20 mln tons of oil, 20 billion cubic meters of natural gas or 35 mln tons of coal;
- subsurface sites situated in Russia and being primary deposits of diamonds, primary (ore) deposits of gold, lithium, platinum group metals; and
- subsurface sites in inland seas, territorial waters, and Russian continental shelf.

Prohibited Transactions can be consummated only subject to a special decision of the President of the Russian Federation. According to Decree No. 520,

any Prohibited Transaction consummated in violation hereof is void ab initio. If Prohibited Transactions are executed in violation of the provisions of Decree No. 520 Securities / Interests shall not provide to their owners the rights under laws of the Russian Federation, production sharing agreements, joint venture agreements and other agreements.

We note that Decree No. 520 is effective immediately (starting from today, 05 August 2022) and restrictions introduced may be repeatedly extended by the President of the Russian Federation. In addition to that, please note that Decree No. 520 provides for certain exception and does not apply to, for instance, reorganizing a branch (representative office) of a foreign legal entity into a business entity incorporated as a limited liability company in accordance with Federal Law dated 14 July No. 320-FZ "On entering amendments to the Federal Law "On privatization of state and municipal property", certain legislative acts of the Russian Federation, and on establishing particular provisions governing property relationships".

Please let us know if you want us to share with you fully translated version of Decree No. 520.

Note: Please be aware that all information provided in this letter was taken from open sources. Neither ALRUD Law Firm, nor the author of this letter bear any liability for consequences of any decisions made in reliance upon this information.

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Sincerely,

ALRUD Law Firm



Andrey Zharskiy

Partner, Co-Head of Crisis Management, Economic Sanctions and Compliance Practice, Corporate / M&A, Energy, Natural Resources & Infrastructure, Real Estate

E: andrey.zharskiy@alrud.com



Anton Dzhuplin

Partner, Co-Head of Crisis Management, Economic Sanctions and Compliance Practice, Corporate/ M&A, Financing (Banking & Finance), Capital & Equity markets

E: adzuplin@alrud.com



German Zakharov

Partner, Crisis Management, Economic Sanctions and Compliance Practice, Competition/Antitrust, Foreign Direct Investments

E: gzakharov@alrud.com