

35  
YEARS

**B1**  
NEW CHALLENGES  
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# TRANSACTIONS UNDER ECONOMIC RESTRICTIVE MEASURES

OVERVIEW FOR CLIENTS

\* The content in this material is accurate as of December 1, 2024.





**NEW CHALLENGES  
NEW SOLUTIONS**

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At present, in connection with unfriendly and contrary to international law actions of the United States of America and the foreign states and international organizations that joined them, related to the introduction of restrictive measures against the citizens of the Russian Federation and Russian legal entities, in order to protect the national interests of the Russian Federation, a large number of temporary measures of economic nature have been taken to ensure the financial stability of the Russian Federation (hereinafter – “**Restrictive Measures**”). Restrictive Measures affect most of all transactions with assets, in particular, real estate, shares/participatory interests in the authorized capitals of joint stock companies/limited liability companies owned by a foreign person committing unfriendly acts.

Before concluding a transaction, it is important to determine whether the relevant Restrictive Measures apply to it and what effect they have on the content of its terms and conditions.

The application of Restrictive Measures, as well as clarifications regarding their application are established by various legal acts: decrees of the President of the Russian Federation, letters of the Bank of Russia, decisions of the Board of Directors of the Bank of Russia and other authorized bodies of the Bank of Russia, decisions of the Government Commission on Control over Foreign Investments in the Russian Federation. This legal material is extensive and disparate, therefore it is often difficult to navigate.

B1 Group has extensive experience in legal support of various transactions with real estate, shares/participatory interests in authorized capitals of joint stock companies/limited liability companies, as well as other transactions under the Restrictive Measures. We are ready to offer you qualified assistance taking into account all the specificities of the Restrictive Measures and the terms and conditions of the transactions you are planning to enter into.

This overview summarizes the key Restrictive Measures in relation to transactions with real estate, shares/participatory interests in the authorized capitals of joint stock companies/limited liability companies. We hope that you will find this overview useful in evaluating the applicability of the Restrictive Measures to transactions you are planning to enter into.

If you have any questions about any aspect of the transactions reviewed in this overview or other transactions subject to the Restrictive Measures, please do not hesitate to contact us.

With respect,  
B1 Group

# GENERAL RESTRICTIONS ON TRANSACTIONS

As a general rule, it is prohibited to carry out the following transactions without the approval of the Government Commission:

- 1 Transactions between residents and Unfriendly persons involving participatory interests in LLCs (excluding banks and non-credit financial institutions), as well as other transactions that enable a person to determine the terms of the management of LLC and/or the conditions for the conduct of entrepreneurial activities;
- 2 Transactions between residents and Unfriendly persons involving more than 1% of shares (participatory interests) or more than 1% of the votes corresponding to such shares (participatory interests) in Russian credit institutions, insurance organizations, mutual investment funds, etc.;
- 3 Transactions between residents and Unfriendly persons resulting in the acquisition of ownership rights to securities and real property;
- 4 Transactions between residents and Friendly persons resulting in the acquisition of ownership rights to securities and real property acquired after February 22, 2022, by Friendly persons from Unfriendly Persons;
- 5 Transactions for the transfer to residents, certain non-residents and non-Unfriendly persons, of shares in a Russian joint-stock company acquired and credited from the accounts of foreign persons, the rights to which are centrally registered by a Russian depository, as well as investment units of a Russian mutual investment fund (PIF), including those acquired under an agreement concluded before March 1, 2022 (inclusive);
- 6 Transactions on transfer after March 1, 2022 of shares of Russian issuers to residents, certain non-residents and non-residents who are not Unfriendly persons, received as a result of the redemption of securities of foreign issuers, certifying rights related to such shares (provided that the securities of foreign issuers certifying rights to such shares were received as a result of the termination (performance) of obligations under a foreign financial instrument acquired before March 1, 2022, inclusive).

# PERSONS SUBJECT TO RESTRICTIONS

As a general rule, restrictions apply to the following persons (legal entities/individuals):

## Unfriendly persons:

- ▶ Foreign persons associated with foreign states\*, who engage in unfriendly actions against Russian legal entities and individuals (including where such foreign persons are citizens of these states, are registered in these states, predominantly carry out their business activities or derive the majority of their profit from activities in these states);
- ▶ Persons controlled by the aforementioned foreign persons, regardless of their place of registration or the location of their predominant business activity.

## Friendly persons:

- ▶ Friendly persons (persons who are not Unfriendly persons), if the subject of transactions (operations) are securities and real property acquired by Friendly persons after February 22, 2022, from Unfriendly persons.



\* The list of foreign states and territories that carry out unfriendly actions against the Russian Federation, Russian legal entities and individuals, was approved by the Russian Government Order No. 430-r of March 5, 2022.



# PERSONS NOT SUBJECT TO RESTRICTIONS

Restrictions do not apply to the following persons (legal entities/individuals):

## Transactions related to real property, participatory interests/shares

- ▶ Unfriendly persons who meet both of the following criteria:
  - ▶ they are controlled by Russian legal entities or individuals (with the ultimate beneficiaries being the Russian Federation, Russian legal entities or individuals), including if this control is exercised through foreign legal entities related to Unfriendly states;
  - ▶ information on control over them is disclosed by Russian legal entities or individuals to tax authorities;
- ▶ Unfriendly persons under the control of legal entities or individuals whose personal law is the law of a Friendly state, provided that such control was established before March 1, 2022;
- ▶ Unfriendly persons under the control of a Friendly state, provided that such control was established before March 1, 2022.

## Real property transactions

- ▶ Citizens of the Russian Federation, including those with residence permit or citizenship of an Unfriendly state;
- ▶ Foreign citizens and stateless persons permanently residing in the Russian Federation on the basis of a residence permit;
- ▶ Other persons recognized as residents of the Russian Federation in accordance with currency legislation.

## Share transactions \*

- ▶ Persons that are controlled by Unfriendly persons, if their place of registration is the Russian Federation.

\* An exception is established in relation to transactions covered by Presidential Decree No. 138 of March 3, 2023

# TERMS OF ALIENATION OF SHARES AND PARTICIPATORY INTERESTS\*

Key terms for the alienation of shares and/or participatory interests in companies are as follows:



Sale of assets at a discount

Discount in the amount of not less than 60 % of the market value of assets specified in an independent evaluation report



The obligation to voluntarily transfer funds to the federal budget

Payment in the amount of not less than 35 % of the market value of assets specified in the independent evaluation report



Schedule of fulfilment of the obligation to voluntarily transfer funds to the federal budget

- ▶ 25 % – within 1 month from the date of execution (performance) of the transaction (operation);
- ▶ 5 % – within 1 year from the date of execution (performance) of the transaction (operation);
- ▶ 5 % – within 2 years from the date of execution (performance) of the transaction (operation)







Transactions for the sale and purchase of assets with a market value exceeding 50 billion rubles

Approval from the President of the Russian Federation is required

\* Extract from the minutes of the meeting of the subcommittee of the Government Commission on Control over Foreign Investments in the Russian Federation dated October 15, 2024 No. 268/1 (does not apply to real property transactions).





# EXEMPTIONS FROM REAL PROPERTY TRANSACTIONS (INDIVIDUALS)

The Government Commission's approval is not required in the following cases:

	Seller	Buyer	Special aspects of the transaction
	Unfriendly person – Individual	Resident	Transaction settlements are carried out through a “C” type account
	Unfriendly person – Individual	Resident	<ul style="list-style-type: none"> <li>▶ The transaction is executed before March 2, 2022; and</li> <li>▶ Documents on registration of the transfer of ownership rights were submitted to the Russian State Register before March 2, 2022; and</li> <li>▶ Payment under the transaction was made before March 2, 2022 or after the state registration of the transfer of ownership with the use of credit funds</li> </ul>
	Unfriendly person – Individual	Resident – Individual	Donation between spouses and close relatives in accordance with the Family Code of the Russian Federation
	Resident – Individual	Unfriendly person – Individual	Donation between spouses and close relatives in accordance with the Family Code of the Russian Federation

# EXEMPTIONS FROM REAL PROPERTY TRANSACTIONS (INDIVIDUALS/ENTITIES) (1/2)




The Government Commission's approval is not required in the following cases:

	Seller	Buyer	Special aspects of the transaction
	Resident	Unfriendly person – Individual	The right of ownership to real estate arises for citizens of foreign states carrying out unfriendly actions
	Resident	Unfriendly person – Legal entity and its controlled entities	Except for transactions involving the alienation by residents of aircraft, marine vessels and inland waterway vessels
	Resident	Unfriendly person – Individual/ Legal entity	<ul style="list-style-type: none"> <li>▶ Property (including under-construction real estate) is located outside the territory of the Russian Federation; or</li> <li>▶ Settlements under the transaction are carried out through accounts (deposits) opened to residents in foreign banks and other financial institutions located outside the territory of the Russian Federation, information about which is disclosed by residents to the tax authorities of the Russian Federation</li> </ul>
	Resident – Legal entity	Resident – Legal entity with “unfriendly” shareholding not exceeding the limit	<ul style="list-style-type: none"> <li>▶ The proportion of unfriendly shareholding shall not exceed:               <ul style="list-style-type: none"> <li>• for public JSCs – not more than 50 % minus 1 share;</li> <li>• for non-public JSCs – not more than 25 % minus 1 share;</li> <li>• For LLCs – not more than 25 % minus 1 vote</li> </ul> </li> <li>▶ The limit does not apply if the company is bankrupt and its real estate is sold through auction</li> </ul>








# EXEMPTIONS FROM REAL PROPERTY TRANSACTIONS (INDIVIDUALS/ENTITIES) (2/2)

The Government Commission's approval is not required in the following cases:

	Seller	Buyer	Special aspects of the transaction
	Unfriendly person – Individual/ Legal entity	Resident – Individual	<ul style="list-style-type: none"> <li>▶ Donation</li> </ul>
	Unfriendly person – Legal entity and its controlled entities	Resident	<ul style="list-style-type: none"> <li>▶ The place of registration of an Unfriendly Person – Legal entity or Legal entity controlled by an Unfriendly Person is not the Russian Federation;</li> <li>▶ Transaction settlements are carried out through a “C” type account</li> </ul>
	Resident – Legal entity with “unfriendly” shareholding not exceeding the limit	Resident	<ul style="list-style-type: none"> <li>▶ The proportion of unfriendly shareholding shall not exceed:               <ul style="list-style-type: none"> <li>• for public JSCs – not more than 50 % minus 1 share;</li> <li>• for non-public JSCs – not more than 25 % minus 1 share;</li> <li>• For LLCs – not more than 25 % minus 1 vote</li> </ul> </li> <li>▶ The limit does not apply if the company is bankrupt and its real estate is sold through auction</li> </ul>



# EXEMPTIONS FROM REAL PROPERTY TRANSACTIONS (214-FZ)

The Government Commission's approval is **not required** in the following cases:

	Seller	Buyer	Special aspects of the transaction
	Unfriendly person, a Russian legal entity controlled by it	Resident	Transaction regarding objects constructed under Law No. 214-FZ
	Resident	Unfriendly person, a Russian legal entity controlled by it	Transaction regarding objects constructed under Law No. 214-FZ
	Resident – Developer	Unfriendly person and Russian legal entities controlled by it	Shared Construction Participation Agreement executed in accordance with the requirements of Law No. 214-FZ
	Resident-Developer	Unfriendly person	Conclusion of Shared Construction Participation Agreement and fulfillment of obligations thereunder
	Resident under control of an Unfriendly Person – Developer	Resident	Execution of a transaction (operation) entailing title to real property




# EXEMPTIONS FROM REAL PROPERTY TRANSACTIONS (FINANCIAL INSTITUTIONS)

The Government Commission's approval is **not required** in the following cases:

	Seller	Buyer	Special aspects of the transaction
	Resident – Financial institution under control of Unfriendly persons	Resident – Individual/Legal entity	The transaction may be carried out on behalf of Russian credit and non-credit financial institutions by third parties
	Resident – Individual/Legal entity	Resident – Financial institution under control of Unfriendly persons	The transaction may be carried out on behalf of Russian credit and non-credit financial institutions by third parties

# EXEMPTIONS FROM SHARE TRANSACTIONS (1/2)



The Government Commission's approval is **not required** in the following cases:

	Seller	Buyer	Special aspects of the transaction
	Resident	Resident – Issuer under control of Unfriendly persons	<ul style="list-style-type: none"> <li>▶ Repurchase of securities issued by residents – issuers controlled by Unfriendly persons;</li> <li>▶ The transaction may be carried out on behalf of the issuers by third parties or on behalf of such third parties, but at the expense of the issuers</li> </ul>
	Resident	Resident – Financial institution under control of Unfriendly persons	<ul style="list-style-type: none"> <li>▶ The transaction may be carried out on behalf of Russian credit and non-credit financial institutions by third parties</li> </ul>
	Resident – Financial institution under control of Unfriendly persons	Resident	<ul style="list-style-type: none"> <li>▶ The transaction may be carried out on behalf of Russian credit and non-credit financial institutions by third parties</li> </ul>






# EXEMPTIONS FROM SHARE TRANSACTIONS (2/2)

The Government Commission's approval is not required in the following cases:

Seller	Buyer	Special aspects of the transaction
 <p>Resident – Financial institution</p>	<p>Unfriendly person</p>	<ul style="list-style-type: none"> <li>▶ Transaction involving foreign securities, the rights to which the financial institutions as well as their resident clients acquired before February 22, 2022 or after February 22, 2022, but against the will of such financial institutions as well as their resident clients; and</li> <li>▶ The funds under the transaction are credited in full to the bank account opened with a Russian credit institution;</li> <li>▶ The transaction may be carried out on behalf of Russian credit and non-credit financial institutions by third parties</li> </ul>
 <p>Resident</p>	<p>Unfriendly person</p>	<ul style="list-style-type: none"> <li>▶ Operations executed when converting depositary receipts for shares of a Russian issuer into shares of a Russian issuer, provided that as a result of such conversion the shares of a Russian issuer will be credited to the depo account opened for the owner of such depositary receipts; or</li> <li>▶ Operations executed against the will of the person exercising the rights to securities (execution of judicial decisions, conversion of securities by the person obliged under securities, etc.); or</li> <li>▶ Operations on writing off securities from the nominee holder's depo account and their crediting to another nominee holder's depo account</li> </ul>

# EXEMPTIONS FROM PARTICIPATORY INTEREST/SHARE TRANSACTIONS

The Government Commission's approval **is not required** in the following cases:

	Seller	Buyer	Special aspects of the transaction
	Unfriendly person (Close relative/spouse)	Close relative/spouse	<ul style="list-style-type: none"> <li>▶ Donation, as a result of which the right to own, use and (or) dispose of participatory interests in an LLC or other rights allowing to determine the terms of management of an LLC and (or) the terms of its business activity are terminated; or</li> <li>▶ Purchase of shares for not more than 1 ruble</li> </ul>
	Resident	Unfriendly person (in the same group of persons as the Resident)	<ul style="list-style-type: none"> <li>▶ Transaction entailing the title to additional shares (participatory interests) of resident legal entities; and</li> <li>▶ An Unfriendly person belongs to the same group of persons with a resident legal entity based on clause 1 part 1 of Article 9 of the Law on Protection of Competition; and</li> <li>▶ Payment for shares (participatory interests) in rubles</li> </ul>
	Resident	Unfriendly person	<ul style="list-style-type: none"> <li>▶ Transaction entailing the title to additional shares (participatory interests) of resident legal entities; and</li> <li>▶ Unfriendly persons must not acquire the right to dispose of more than 25 % of shares (participatory interests) in a JSC (LLC)</li> </ul>

# PECULIARITIES OF PAYMENT UNDER TRANSACTIONS TO THE “C” TYPE ACCOUNT

01

Restrictive measures do not apply to transactions aimed at alienation of real property by Unfriendly persons and persons under their control (except for residents), provided that transactions settlements are carried out using a “C” type account

02

Funds from the “C” type account may be debited only for the purposes established by the Decision of the Board of Directors of the Bank of Russia

03

It is possible to terminate a resident's obligation on payment of the price of real estate in favor of an Unfriendly Person without crediting the performance to the “C” type account on the basis of the approval of the Bank of Russia or the Ministry of Finance of the Russian Federation in coordination with the Bank of Russia through the following means:

- ▶ set off;
- ▶ provision of a substitute performance;
- ▶ fulfilment of the obligation that arose under the novation.

04

It is permitted to pay for participatory interests, contributions and units in the property of non-resident legal entities, as well as contributions in simple partnerships without obtaining individual permits from the Bank of Russia, provided that the following conditions are simultaneously met:

- ▶ a transaction in rubles or foreign currency for a total amount not exceeding the equivalent of 15 million rubles at the official exchange rate of the Bank of Russia on the date of payment;
- ▶ the aggregate volume of resident's transactions made in favor of one non-resident legal entity from April 1, 2024 must not exceed 15 million rubles.

# OUR SERVICES



Transaction support and preparation of necessary documentation



Assistance in obtaining transaction approval from the Government Commission



Analysis of the transaction structure for the presence/absence of restrictive measures

- ▶ This Overview is based on current Russian legislation, published clarifications and recommendations, and our practical experience. Legislation and/or official clarifications may be amended at any time. We cannot predict either the timing or the substance of such changes; however, at present, we are not aware of any planned amendments that could materially affect our comments.
- ▶ We do not assume any obligations to update the Overview in connection with events, transactions or circumstances that may occur after the date of analysis.
- ▶ The position we have expressed is not binding on Russian regulatory authorities or Russian courts. We cannot predict how particular governmental authorities may interpret the regulatory and other acts analyzed in the Overview.



# TERMS AND ABBREVIATIONS

Bank of Russia / CBR	Central bank of the Russian Federation (Bank of Russia)
Friendly person	A person who is not an Unfriendly person
Government Commission	Government Commission on Control over Foreign Investments in the Russian Federation
JSC	Joint stock company
Law on the Protection of Competition	Federal Law No. 135-FZ “On Protection of Competition” dated July 26, 2006
Law No. 214-FZ	Federal Law No. 214-FZ “On Participation in Shared Construction of Apartment Buildings and Other Real Estate and on Amendments to Certain Legislative Acts of the Russian Federation” December 30, 2004
LLC	Limited Liability Company
Overview	This overview
Unfriendly state	A foreign state that carry out unfriendly actions against Russian legal entities and individuals
Unfriendly person	A foreign person associated with foreign states that carry out unfriendly actions against Russian legal entities and individuals (including where such foreign persons are citizens of these states, are registered in these states, predominantly carry out their business activities or derive the majority of their profit from activities in these states)

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## ABOUT B1 GROUP

B1 Group offers a full range of professional services, covering assurance, strategy, technology, consulting, transactions, valuation, tax, law and business support.

In our 35 years in Russia and more than two decades in Belarus, we have assembled a strong team of professionals with broad expertise and a wealth of experience in delivering challenging projects. B1 Group is based in 11 cities: Moscow, Minsk, Ekaterinburg, Kazan, Krasnodar, Novosibirsk, Rostov-on-Don, Samara, St. Petersburg, Togliatti and Vladivostok.

We help clients find new solutions, grow, transform and operate their business as well as strengthen their financial and human capital.

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