

Russia Responds to US, UK and EU Sanctions With New Economic Measures

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On 28 February 2022, Russian President Vladimir Putin signed the order “On the Application of Special Economic Measures in Connection With the Unamicable Actions of the U.S. and the Adjoining Foreign States and International Organizations” (the Order). The Order, which is effective immediately, provides for the following:

- **Mandatory “sale” of foreign currency proceeds.** Russian residents¹ engaged in foreign trade operations are required to “sell” at least 80% of the foreign currency proceeds received from any nonresident pursuant to foreign trade operations since 1 January 2022, by exchanging such foreign currency proceeds into Russian rubles. Relevant “foreign trade operations” for these purposes include the sale of goods, rendering of services, performance of works, and the transfer of intellectual property, in each case to a nonresident party. This requirement applies to all relevant foreign trade contracts, irrespective of whether or not they have been specifically registered by the relevant Russian banks in accordance with the currency control procedures² of the Central Bank of the Russian Federation (CBR).

The Order does not specify the method of such “sale,” which will be set out in implementing regulations, expected to be adopted by the CBR in the immediate future. Before 2007, when similar measures were abolished, exporters were required to sell appropriate portions of their foreign currency proceeds by exchanging them into Russian rubles (i) with certain banks authorized by the CBR, (ii) on a currency exchange through an authorized bank or (iii) with the CBR directly.

The rule applies retroactively, and residents are required to comply by 3 March 2022 with respect to proceeds already received in their bank accounts since 1 January 2022. For any proceeds received on or after 28 February 2022, residents must comply within three business days of the date on which the proceeds were credited to their bank accounts.

- **Restrictions on cross-border currency operations.** Effective 1 March 2022, Russian residents are prohibited from transferring foreign currency (i) where such transfer relates to a loan made by a resident to a nonresident, or (ii) to their own accounts (including deposit accounts) with foreign banks, similar financial institutions or e-payment solution providers. These restrictions do not prohibit Russian ruble transfers or extend to Russian subsidiaries of foreign institutions.

- **Simplified share buybacks.** The Order extends the simplified share buyback regime applicable to Russian public joint stock companies (each an Issuer) originally introduced in 2020 as a support measure during the COVID-19 pandemic. Issuers are once again permitted to bypass some requirements of the regulated buyback procedure, provided that the buyback is not related to a decrease in the Issuer’s share capital. The key advantage of a simplified share buyback is the ability of the Issuer to effect the buyback at prevailing market prices, rather than having to determine buyback price in advance and engage third-party valuers to determine such price. In addition, Issuers may be exempt from the obligation to disclose the buyback in advance to shareholders. To take advantage of a simplified share buyback procedure, all of the following conditions must be met:

¹ The term “residents” includes, among others: (i) individuals who are citizens of the Russian Federation (note that until 2007, similar requirements only applied to individuals who are registered as sole proprietors; it is unclear whether that exemption will apply), (ii) foreign individuals and stateless persons holding a Russian residence permit, and (iii) legal entities incorporated in Russia (including subsidiaries of foreign companies) and their overseas branches.

² CBR Instruction No. 181-I dated 16 August 2017, “On the Procedure for Residents and Nonresidents To Submit Documents and Information Confirming Foreign Exchange Transactions to Authorized Banks, on Single Accounting and Reporting Forms Related to Foreign Exchange Transactions, and the Procedure and Timeframes for Their Submission.”

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- The relevant shares have been admitted to organized trading;
- Each of the following has decreased for any three-month period starting on or following 1 February 2022 as compared to the three-month period starting on 1 January 2021 by 20% or more: (i) the volume weighted average price of the Issuer's relevant shares and (ii) the benchmark stock index of the relevant stock exchange;
- The shares are acquired pursuant to orders addressed to an unlimited number of market participants made through a broker acting pursuant to the Issuer's instruction; and
- The buyback is effected pursuant to a simplified resolution of the Issuer's board of directors' that is compliant with the Order specifying (i) one or more categories of the Issuer's shares to which the buyback relates, (ii) the number of each category of shares to be acquired and (iii) the period of the buyback, which in any event must expire on or before 31 December 2022.

If the board of directors so resolves, the Issuer will be exempt from "material fact" public disclosure obligations relating to such buyback or may effect such disclosure outside the regular time frame. Pursuant to the regular buyback procedure, Issuers

are required to notify shareholders of intended buybacks at least 20 days prior to commencement of the buyback period.

As in regular share buybacks, the total volume of a simplified buyback is still limited to 10% of the Issuer's share capital, and any shares acquired under these rules still need to be disposed of at market price or canceled, in each case, within one year.

- **Simplified opening of bank accounts for individuals.**

Banks are now permitted to open accounts for individuals remotely, bypassing the previous requirement for an in-person identification. This simplified procedure is available where an individual makes a bank transfer to a new bank from an account with the individual's current bank, and the current bank shares the relevant identifying information relating to the individual with the new bank (with the individual's prior consent).

We will be monitoring the practical implementation of the measures promulgated by the Order and any further developments in Russian legislation relating to the current political environment.

For more on this topic, see our 26 February 2022 client alert "[US, UK and EU Impose Significant Sanctions and Export Controls in Response to Russia's Invasion of Ukraine.](#)"