

# Russia Restricts Transactions With Nationals of Sanctioning Countries and Further Limits Transfers of Funds Abroad

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On 1 March 2022:

- Russian President Vladimir Putin signed the order “On Additional Temporary Economic Measures To Ensure the Financial Stability of the Russian Federation” (the Order); and
- the Central Bank of the Russian Federation (CBR) distributed to Russian credit institutions a binding instruction requiring the suspension and/or restriction of certain transactions (the Instruction).

The Order, which is effective immediately, provides for the following:

- Starting 2 March 2022, Russian residents<sup>1</sup> may not enter into certain transactions (the Restricted Transactions) with certain foreign persons (the Sanctioning Countries’ Nationals) without special permission (which may be issued subject to certain conditions attached to it) from the Governmental Commission for Control Over Foreign Investments in the Russian Federation (the Governmental Commission);<sup>2</sup>
- “Sanctioning Countries’ Nationals” include all “persons associated with foreign states that commit unamicable actions<sup>3</sup> against Russian legal entities and individuals (including foreign persons that are citizens of such states, that are registered in such states, and/or whose primary place of business or revenue generation is in such states), and persons controlled by such foreign persons, irrespective of the place of their registration or their primary place of business”;
- “Restricted Transactions” include:
  - Outgoing ruble loans to Sanctioning Countries’ Nationals (whereas all outgoing foreign currency loans to any nonresidents had been previously prohibited by the 28 February 2022 presidential 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 Initial Restrictive Order)); and
  - Transactions “transferring the title of ownership” (*i.e.*, any acquisitions and disposals) to or from Sanctioning Countries’ Nationals, with respect to any securities and real estate, wherever located (Acquisitions and Disposals). The same restrictions apply to Acquisitions and Disposals with any foreign persons who are not Sanctioning Countries’ Nationals but who acquired such securities and real estate from Sanctioning Countries’ Nationals after 22 February 2022. Acquisitions and Disposals of securities on organized markets may also be carried out with the approval of the CBR (in concurrence with the Ministry of Finance), though it is not clear whether “organized markets” refers only to such markets operating in Russia;
- In a slight reversal of the Initial Restrictive Order, transactions previously banned under that order (foreign currency loans by Russian residents to any nonresidents and foreign currency loans by Russian residents to their own accounts with foreign banks, similar financial institutions or e-payment solution providers) are now treated in the same manner as Restricted Transactions — such that these transactions may only be entered into with special permission from the Governmental Commission;

<sup>1</sup> 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.

<sup>2</sup> The Governmental Commission is a high-level body consisting of members of the Russian government and is chaired by the Russian prime minister. It was created to approve acquisitions by foreign nationals of Russian businesses deemed “strategic” but meets irregularly and infrequently.

<sup>3</sup> “Unamicable actions” are not defined but will likely be interpreted to include sanctions of any kind.

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- Transactions by the CBR and any Russian state authorities are exempt from the restrictions;
- Credit institutions are required to comply with the Order in effecting transfers of foreign currency to foreign correspondent accounts;
- The Russian government is required to adopt regulations governing the procedure for the approval of Restricted Transactions by the Governmental Commission within five days of the signing of the Order (*i.e.*, by 6 March 2022); and
- Starting 2 March 2022, physical foreign currency and foreign currency-denominated instruments (traveler's cheques, promissory notes, etc.) exceeding US\$10,000 or its equivalent in any currency may not be exported out of Russia.

The Instruction, which is also effective immediately and remains in effect (as of now) until 31 March 2022, provides for the following:

- The suspension of any transfer of funds outside of Russia (including e-money transfers) by persons (both legal entities and individuals) that are residents of sanctioning countries (*i.e.*, countries that have announced restrictive measures concerning Russia); and

- A limit on transfers by nonresident individuals who are residents of any nonsanctioning foreign countries, of up to US\$5,000 (or the equivalent thereof) per month.

The Instruction includes a list of countries that have announced sanctions on Russia between 23 February 2022 and 28 February 2022, although it does not limit the definition of sanctioning countries to this particular period.

The CBR also announced on 28 February 2022 that it has temporarily suspended payment of any income generated by Russian issuers' securities (*i.e.*, dividends and coupons) by Russian registrars and depositories to their non-Russian clients for a six-month period starting at noon on 28 February 2022, Moscow time.

We will continue to monitor the implementation of economic measures under the Order and the Instruction as well as any further legislative developments in Russia relating to the current political environment.

For more on this topic, see our client alerts "[US, UK and EU Impose Significant Sanctions and Export Controls in Response to Russia's Invasion of Ukraine](#)" and "[Russia Responds to US, UK and EU Sanctions With New Economic Measures](#)."

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