

Russian counter-sanctions: New requirements for state approval for sale-purchase of interests in limited liability companies. Sanctioned Russian banks now permitted to convert customer FX deposits into Rubles.

On September 8, 2022, RF Presidential Edict No. 618 On the Special Procedure for Conducting (Performing) Certain Types of Transactions (Operations) Amongst Certain Persons (**Edict 618**) entered into effect.

Consequently, the sale-purchase of interests in Russian limited liability companies (**LLCs**) is now subject to state approval, and sanctioned Russian banks may now unilaterally convert their customers' FX funds into Rubles.

1 State approval of certain transactions regarding interests in Russian LLCs

Readers will recall that since March 2, 2022, the purchase-sale of shares in Russian joint stock companies (**JSCs**) between Russian residents and non-residents from so-called "unfriendly states" has been subject to special approval by the Government Committee for the Control over Foreign Investments in Russia (**the Government Investment Committee**).

As from September 8, 2022, Edict 618 has now '**filled the gap**' in the counter-sanction rules, by introducing a similar requirement for transactions with interests of Russian LLCs (which, however, are more far-reaching and comprehensive as compared to the rules governing purchase-sale of shares in Russian JSCs).

Edict 618 now requires a similar state approval for the establishment of direct or indirect control over, and/or any change/termination of ownership (or possessory) rights in LLC interests, and/or entering transactions for management of LLCs and/or regarding the terms for conduct of LLCs' business activities. The wording of Edict 618 is quite broad. Accordingly, we believe it covers sale-purchase agreements (SPAs), as well as pledges, shareholder agreements (SHAs) and joint venture (JV) agreements, as well as, potentially, any other instruments with respect to LLC interests. The failure to obtain state approval could result in

invalidation of the relevant transaction in a Russian court, and may well result other negative legal consequences.

By its terms, Edict 618 does not apply to transactions with interests in Russian credit organizations or non-credit financial organizations, as well as certain other companies.

2 New procedure for sanctioned Russian banks' unilateral conversion of customer FX deposits into Rubles

Edict 618 furthermore allows Russian banks which have been sanctioned by so-called "unfriendly states" unilaterally to convert deposits denominated in FX into Rubles.

The Edict does not limit its application solely to FX of "unfriendly states." In our view, the procedure could therefore be applied, e.g., to Turkish Lira, Chinese Renminbi or UAE Dirham, as well as US Dollar, GB Pound and/or Euro deposits.

Following such a conversion, the bank will be deemed 'to have duly performed its obligations' under the relevant bank account or deposit agreement.

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