

New conditions for carrying out transactions with shares and membership interests in the issued capitals of Russian companies

FAO legal entities and individuals, as well as employees of corporate practices and legal departments

Pepeliaev Group advises that the conditions have changed for carrying out transactions to dispose of shares and membership interests in issued capitals of Russian companies.

On 30 October 2024, the Russian Ministry of Finance brought to the public notice Excerpt No. 268/1 dated 15 October 2024 (the "Excerpt") of the Minutes of the Meeting of the Sub-commission (the "Sub-commission") of the Government Commission on Monitoring Foreign Investment in the Russian Federation (the "Government Commission").

The Excerpt changes the conditions for transactions to be approved by the Government Commission. The relevant decision has been made in furtherance of the Russian President's directives and in addition to previous minutes of the Sub-commission's meetings.

Main changes

1. The size of a discount has been increased for the sale of an asset. If, previously, the discount should have been at least 50 % of the market value of assets, now it should be **at least 60 %**. The Government Commission may, at its own discretion, increase the size of the discount on a case-by-case basis.
2. It remains necessary to voluntarily transfer monetary funds to the federal budget. The amount of the contribution had previously been already increased from 10 % to 15 %. However, its current amount will be **at least 35 %** of the market value of the assets. The Government Commission may also increase the amount of a contribution to the federal budget in relation to applicants' individual applications.
3. The following **schedule** has been established **for transferring monetary funds to the federal budget**:
 - 25 % to be transferred within one month of the date of the transaction;

- 5 % to be transferred within one year of the date of the transaction, and
 - 5 % must be transferred within two years of the date of the transaction.
4. To carry out a transaction with assets whose market value exceeds RUB 50 billion, the consent of the Russian President must now be obtained.

What to think about and what to do

Companies should take account of the above amendments in their operations. The new conditions for having permission issued to carry out a transaction extend, in particular, to applications which have already been submitted but are still pending before the Sub-commission.

Please note that, although the Ministry of Finance has brought the new Excerpt to the public notice, other approaches to undertaking transactions continue to be in effect, such as those enshrined in Excerpt No. 171/5 of the Sub-commission's decision dated 7 July 2023. Specifically, such conditions include, among others: a report being available on an independent assessment of the market value of assets together with an expert's opinion from a self-regulatory organisation of appraisers and key performance indicators being established for buyers.

Help from your adviser

Pepeliaev Group's lawyers have significant experience of providing comprehensive legal support with regard to all issues of corporate regulation.

Our experts are keeping track on a daily basis of the new amendments in corporate legislation. They are ready to provide recommendations on how to choose the best solutions for business with respect to any issues of corporate law.

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