

## **A change in the conditions for how members of an LLC can exercise a pre-emptive right to purchase an interest in the issued capital.**

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

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### **Pepeliaev Group advises that the rules have changed regarding a pre-emptive right to purchase an interest in the issued capital of limited liability companies.**

On 21 January 2025, the State Duma passed in the first reading a draft federal law (No. 788656-8<sup>1</sup>) "On amending article 21 of the federal law On Limited Liability Companies".

It is intended to clarify and expand the rules concerning a pre-emptive right of members of a company to purchase interests in the issued capital.

The draft law has been developed in pursuance of the "road map" for the implementation of the "Transformation of the business climate" mechanism of managing systemic changes in the regulation of business activity in the sphere of "Corporate governance, special administrative districts, the bankruptcy procedure and assessment activity" (clause 14)<sup>2</sup>. Among other things, the proposed amendments should ensure that the legal and regulatory framework is unified and the part in question of the provisions of the Law on LLCs is brought into line with the Russian Civil Code. In addition, these amendments are intended to bring the legal regulation into line with judicial practice that has formed.

### **Principal amendments**

1. It is proposed to make possible the sale of membership interests in an LLC disregarding members' pre-emptive right to buy them.
2. It is provided that a company's charter may specify that rules concerning a pre-emptive right to purchase a membership interest may not apply for one, several or all members.
3. One or several members of a company will be permitted to exercise a pre-emptive right to purchase a membership interest provided that (or unless) certain conditions are met that are set out in the charter.

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<sup>1</sup> <https://sozd.duma.gov.ru/bill/788656-8>

<sup>2</sup> Instruction No. 1723-r of the Russian Government dated 2 July 2020.

## The procedure for amending the charter

The draft law regulates the procedure for amending the charter of a company. The new rules may be set out in the charter both when an LLC is incorporated and when the existing charter is amended, based on a unanimous resolution.

This provision may be removed by a resolution of the general meeting of members adopted by a majority of not less than 2/3 of the total number of votes. An LLC's charter may require a greater number of votes.

## What to think about and what to do

Companies should keep track of the draft law until its final version is adopted and structure their activities to take into account the planned changes.

The new rules will provide for more flexibility in the corporate structure of an LLC and will make it possible to promptly adapt to the changing economic environment. New possibilities will open for using different methods (including share options) to structure transactions with membership interests in the issued capital.

## 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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