



## **Russian assets held through offshore vehicles: new developments**

On 23 January 2023, a draft law “On Deoffshorisation” (Draft Law No. 281874-8) was introduced in the State Duma.

The draft law concerns:

- Russian legal entities and individuals which own any assets in Russia through legal entities registered in specified offshore jurisdictions (listed in Order of Ministry of Finance No. 108n dated 13.11.2007 – these include the United Arab Emirates, Channel Islands, Monaco, Cayman Islands, BVI, Gibraltar, Lichtenstein, Bermuda and a number of other offshore jurisdictions considered tax havens and/or insufficiently transparent); as well as
- any person (whether Russian or foreign) which manages assets in Russia through such legal entities.

The draft law aims to make mandatory the re-registration of ownership or management of such Russian assets to Russian legal entities or individuals. According to the explanatory note to the draft law, “the re-registration of these firms within the country is a non-negotiable condition for preserving Russia’s national security and ensuring its sovereignty”.

According to the current version of the draft law, Russian assets belonging to, or managed by, offshore companies may be transferred to, or become managed by, a special body authorised by the Government in accordance with a procedure established by the Government (currently no such procedure exists).

1) If an offshore company is owned by a Russian legal entity or a Russian individual, such person must confirm its (his/her) ownership and, following such confirmation, may register its (his/her) title to the relevant assets within six months of the law coming into effect. Russian assets which have not been so re-registered will become property of the Russian Federation.

2) If an offshore company is the manager of Russian assets, such assets must be transferred to, or become managed by, a Russian legal entity or individual within six months of the law coming into effect.

Any Russian Assets which have not been so transferred will become property of the Russian Federation.

The draft law has not yet undergone a first reading, so it is uncertain whether it will be adopted in its current form, if at all. However, if adopted, it is likely to have significant practical consequences. We will be monitoring further developments.

The information contained in this document is intended for general guidance and should not be considered as legal advice or opinion.