

RUSSIAN FOREIGN INVESTMENT REGIME: NEW DEVELOPMENTS

May 2023

On 28 April 2023, the Russian President signed a law that introduced amendments to the Law On Foreign Investments in Strategic Assets (**Law No. 57**) aimed at strengthening control over foreign investments in Russia and making penalties for the breach of Law No. 57 more severe.

More specifically:

- The term «foreign investor» now includes, for the purposes of Law No. 57, not only Russian individuals who have dual nationality, but also those Russian individuals who have a residence permit or another document confirming their right to live permanently in a foreign state. Now, if any Russian individual who already controls a «strategic» entity receives a residence permit or any similar document, he will have to make a «strategic» filing and receive clearance from the Government Commission for Control over Foreign Investments in Russia in accordance with the procedure provided for by Law No. 57;
- If a court, having reviewed a case in relation to a transaction involving a «strategic» entity closed in breach of the requirements of Law No. 57, comes to the conclusion that the parties acted wilfully in breaching such requirements, it may order that the shares (equity interests) in, or the fixed production assets of, a «strategic» entity, as well as the proceeds received as a result of the transaction (including any income received from the operations of the entity post-acquisition), be confiscated and transferred to the Russian state. Whilst the reference to the «proceeds received as a result of the transaction» is not fully clear, we view this as a reference to the purchase price of the assets concerned; and
- The «strategic» entity has the right to bring court proceedings against the foreign investor that closed a transaction affecting that entity in breach of the requirements of Law No. 57 seeking the compensation of losses, including lost profit, incurred by that entity, as well as compensation of damage caused to the entity's assets, in each case caused by the foreign investor's exercising the rights acquired in such transaction (other than where such exercise is in good faith).

The amendments will come into effect on 9 May 2023.



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