

New Conditions for Equity Transactions
with Persons from ‘Unfriendly’ Countries:
Discount Amount, Voluntary Contribution
to Budget and Consent of the Russian
President

Last week, the Subcommission of the Government Commission on Monitoring Foreign Investment in the Russian Federation (**'Subcommission'**) established new conditions for approval of transactions with shares (equity transactions) of Russian legal entities controlled by persons from 'unfriendly' countries, carried out, among other things, in accordance with Decree No 618¹ and clause 5 of Decree No 737² (**'assets'**).

The new conditions concern an increase of the discount and the amount of the voluntary contribution, as well as the establishment of a requirement for the consent of the President of the Russian Federation to carry out certain transactions.

¹ Decree of the President of the Russian Federation No 618 of 8 September 2022 "On Special Procedure for Execution of Certain Types of Transactions (Operations) Between Certain Persons" (**'Decree No 618'**).

² Decree of the President of the Russian Federation No 737 of 15 October 2022 "On Certain Issues of Conducting Certain Transactions (Operations)" (**'Decree No 737'**).

Increase in Discount and Voluntary Contribution to the Budget

Let us recall that previously (i) the discount when selling assets was 50% of the market value determined on the basis of a report by an independent appraiser included in the list of appraisers recommended by the Russian Ministry of Finance, and (ii) the voluntary contribution to the budget was 15%.

It is worth noting that since mid-September, the media have reported that the voluntary contribution paid for sale of assets by foreign investors could be increased to as much as 40%.

The Subcommittee considers it reasonable to establish the following conditions for the execution of transactions:

- **Discount**

Assets are sold at a discount of at least 60% of the market value of the assets specified in the report on independent appraisal of the assets market value carried out by an appraiser included in the list of recommended appraisers ('**appraisal report**').

- **Voluntary contribution to the budget**

A voluntary contribution to the budget is at least 35% of the market value of the assets specified in the appraisal report and shall be paid as follows:

- the first portion of 25% of the market value of the assets shall be paid within one (1) month from the date of the transaction;
- the second portion of 5% of the market value of the assets shall be paid within one (1) year from the date of the transaction;
- the third portion of 5% of the market value of the assets shall be paid within two (2) years from the date of the transaction.

Russian President's Consent to Transactions

The Subcommittee's decision sets forth that transactions with assets whose market value, determined on the basis of the appraisal report, exceeds 50 billion roubles may be carried out with the consent of the President of the Russian Federation only.

It should be noted that the specified conditions for carrying out transactions with assets shall also apply to transactions for which the Subcommittee has not yet reviewed the application, and therefore the applicant must revise the previously submitted applications.



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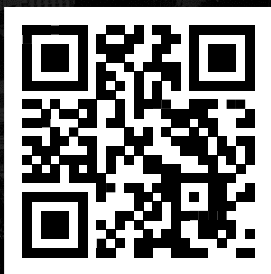
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