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SPECIAL REGIME FOR THE REPURCHASE OF ASSETS BY FOREIGN INVESTORS

20 August 2026

On 4 August 2026, the President of the Russian Federation signed a law introducing amendments to Federal Law No. 160-FZ of 9 July 1999 “On Foreign Investments in the Russian Federation” [1]. These amendments introduce a special procedure governing the repurchase by foreign investors of Russian assets that they had previously sold off, including shares and participation interests in Russian companies, as well as other business assets (the “**Assets**”).

The amendments effectively provide for the possibility, subject to certain conditions, of terminating foreign investors’ rights to acquire the Assets under option arrangements previously entered into with them.

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[1] Federal Law No. 319-FZ of 4 August 2026 “On Amendments to Article 5 of the Federal Law "On International Companies and International Funds" and Certain Legislative Acts of the Russian Federation” (http://publication.pravo.gov.ru/Document/View/0001202608040061) (the “**Law**”).

1. Scope

The special rules apply to disposals of Assets made by foreign investors after 22 February 2022 in favor of any of the following purchasers:

- a Russian citizen;
- a Russian legal entity;
- a foreign legal entity that is controlled by a Russian citizen and registered in a "friendly" jurisdiction[2].

The regime targets:

- foreign investors connected with "unfriendly" states (whether by reference to citizenship, place of registration, principal place of business, or where profits are primarily generated); and
- foreign structures controlled by such investor (wherever registered), as well as Russian legal entities under such control.

2. Conditions for terminating the buyback right

A foreign investor's buyback right may be terminated by a court if **both of the following conditions are met**:

- **Condition 1 – "unfriendly" conduct by the investor** after 22 February 2022, for instance, publicly supporting (or calling for) "unfriendly" actions against Russia; publicly announcing that it is ceasing or suspending its Russian operations; failing to duly perform its obligations (including under corporate and other contracts); or restricting the use of its IP in Russia, provided that such actions are not driven by obvious economic considerations or are not related to the investor's compliance with restrictive measures imposed by "unfriendly" states, etc.;
- **Condition 2** – the economics of the buyback, where:
  - the previously agreed buyback price differs from market value by 25% or more; and/or
  - the purchaser has made significant additional investments in the Asset or taken other actions, the failure to take which could have resulted in the suspension, material reduction or cessation of the Asset's operations.

Importantly, a claim for termination of the foreign investor's buyback right may be brought before a court regardless of whether the foreign investor has attempted to exercise the buyback transaction in respect of the Asset. Accordingly, the purchaser does not need to wait for the investor to attempt to exercise the option – the termination of the foreign investor's right is entirely within the purchaser's control.

3. Persons entitled to bring a claim before a court

The following persons may bring a claim for termination of a foreign investor's right to buy back the Asset, in each case subject to the required approvals:

- **the purchaser of the Asset** – upon obtaining (1) a position from the relevant federal executive authority confirming that the proposed claim is consistent with the objectives of the special measures [3] and (2) an opinion of the Government Commission for Control over Foreign Investment; and
- **the relevant federal executive authority** – upon obtaining the approval of the Government Commission.

[2] The list of foreign states and territories committing unfriendly acts against the Russian Federation, Russian legal entities and individuals was approved by Decree of the Government of the Russian Federation No. 430-r of 5 March 2022.

[3] The Law defines these objectives as protecting the rights and legitimate interests of Russian citizens and Russian legal entities, as well as ensuring Russia's economic sovereignty and economic security. The Law expressly provides that the special measures are not intended to unjustifiably prejudice the rights and legitimate interests of foreign investors.

4. Competent court

A claim for termination of the buyback right must be brought before the **Arbitration Court of the Moscow Region**, irrespective of any agreement between the parties as to the forum for dispute resolution.

5. Consequences of granting the claim

If the court grants the claim, the foreign investor's right to buy back the Asset **terminates**. The investor may, however, seek compensation, subject to the following:

- the foreign investor must bring a claim against the purchaser for payment of compensation within **one year** from the date on which the court decision terminating its right to buy back the Asset becomes effective;
- when considering the claim, the court may **reduce the amount of compensation** taking into account the nature of the investor's "unfriendly" conduct, the amount of losses resulting from such conduct, and the amount of investments made by the purchaser in the Asset following its acquisition (the Law does not, however, establish a specific methodology for determining the amount of compensation); and
- the court may **deny compensation in full** if the investor or its officers have engaged in activities related to the financing of terrorism, extremism or the proliferation of weapons of mass destruction, and such activities have resulted in the investor or its officers being held administratively or criminally liable.

6. Significance of the amendments

The adoption of these amendments materially changes the legal framework governing the reacquisition by foreign investors of Assets disposed of by them after 22 February 2022, including as part of transactions involving their "exit" from Russia.

In practical terms, where the foreign investor's "return" to the Russian business was contemplated under a previously agreed option arrangement on non-market terms, such "return" became impossible upon the adoption of the Law.

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