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Newsletter

Restrictions on Foreign Investors' Rights to Repurchase Assets in Russia

July 24, 2026

Dear Ladies and Gentlemen!

We would like to inform you that on 21 July 2026, the State Duma adopted, in its third reading, amendments[1] to certain legislative acts, including the Federal Law on Foreign Investments[2], which provide grounds for terminating foreign investors' rights to repurchase assets in Russia. The amendments will enter into force once they have been approved by the Federation Council, signed by the Russian President and officially published.

The new regulation will apply exclusively to acquisitions by foreign investors of those business objects in Russia, including shares and participatory interests in the charter capital of Russian companies, where such assets were earlier transferred under agreements between "exiting" foreign investors and Russian entities, a transaction structure that has been widely used in recent years. In many sale and purchase agreements, or related agreements, including call options and other similar arrangements, the foreign investor's right to repurchase the relevant assets from the Russian counterparty has been expressly provided for. However, the amendments will not affect foreign investors' ability to make new investments in Russia outside the scope of the agreements referred to above.

Under the adopted amendments, a court may terminate the foreign investor's right to repurchase assets previously transferred to a Russian citizen, a Russian legal entity or a "friendly" legal entity controlled by a Russian citizen, upon the application of the asset acquirer or the competent state authority, provided that all of the following conditions are met simultaneously:

1. timing condition: the foreign investment asset was transferred after 22 February 2022;
2. one of the following behavioural conditions: after the specified date the foreign investor:
   - publicly supported, or called for, unfriendly actions, against Russia or Russian entities by a foreign state or an international organisation;
   - disseminated knowingly false information, or otherwise engaged in actions, aimed at discrediting the use of the Armed Forces of the Russian Federation or the exercise of powers by Russian state bodies;
   - engaged in activities related to the financing of terrorism, extremist activities or the financing of the proliferation of weapons of mass destruction; or
   - publicly announced the termination or suspension of business in Russia, took or omitted to take actions in connection with such announcement, improperly performed obligations in Russia, including under shareholder agreements, hindered the use of intellectual property, the manufacturing of products or provision of services in Russia, or the operation of the transferred investment asset, or facilitated such conduct by another person, provided that such actions or omissions were not driven by obvious economic reasons and were related to compliance with international sanctions;

[1] See draft of the Federal Law No. 1206580-8 "On Amendments to Article 5 of the Federal Law "On International Companies and International Funds" and to Certain Legislative Acts of the Russian Federation"
[2] Federal Law No. 160-FZ dated 9 July 1999 "On Foreign Investments in the Russian Federation"

7 Lesnaya st., 12th fl., Moscow, Russia, 125196
T: +7 495 234 96 92, E: info@alrud.com
alrud.com

3. one of the following economic conditions:
   - the agreement on the transfer of the investment asset provides for a repurchase price that differs from the market price by 25 per cent or more; and/or
   - the asset acquirer has made additional investments in the asset and taken other measures, without which its operations in Russia would likely have ceased;
4. procedural conditions:
   - a claim to terminate the foreign investor's right to repurchase the foreign investment asset was brought by the asset acquirer or the competent state authority, regardless of whether the foreign investor had applied to exercise such right;
   - if the claim is brought by the asset acquirer, the competent state authority's view on whether the claim complies with the purposes of the law, as well as the opinion of the Government Commission for Control over Foreign Investments in the Russian Federation (the "Government Commission") must be obtained; or
   - if the claim is brought by the competent state authority itself, the consent of the Government Commission is required.

No procedure has yet been established for obtaining the approvals referred to above from the competent state authority and the Government Commission. Claims for termination of the repurchase right fall within the exclusive jurisdiction of the Arbitration Court of the Moscow Region.

At the same time foreign investors still have the possibility of judicial protection: they may bring a claim against the acquirer for payment of compensation in connection with the termination of the repurchase right within one year from the date on which the court decision terminating such right enters into force. The court may reduce the amount of such compensation, taking into account the investor's conduct, the losses caused and the amount of the acquirer's investments, and may dismiss the claim if there is evidence that the investor previously financed terrorism, extremist activities or the proliferation of weapons of mass destruction.

We hope that the information provided herein will be useful for you. If any of your colleagues would also like to receive our newsletters, please send them the link to complete a Subscription Form. If you would like to learn more about our Banking, Projects and Structured Finance Practice or Competition/Antitrust Practice please let us know by replying to this email. We will be glad to provide you with our materials.

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If you have any questions, please do not hesitate to contact ALRUD experts:

Andrei Murygin
Partner
Banking, Projects and Structured Finance

E: amurygin@alrud.com

German Zakharov
Partner
Competition/Antitrust

E: gzakharov@alrud.com

Elena Polyakova
Of Counsel, Solicitor in England and Wales
Banking, Projects and Structured Finance

E: epolyakova@alrud.com

7 Lesnaya st., 12th fl., Moscow, Russia, 125196
T: +7 495 234 96 92, E: info@alrud.com
alrud.com