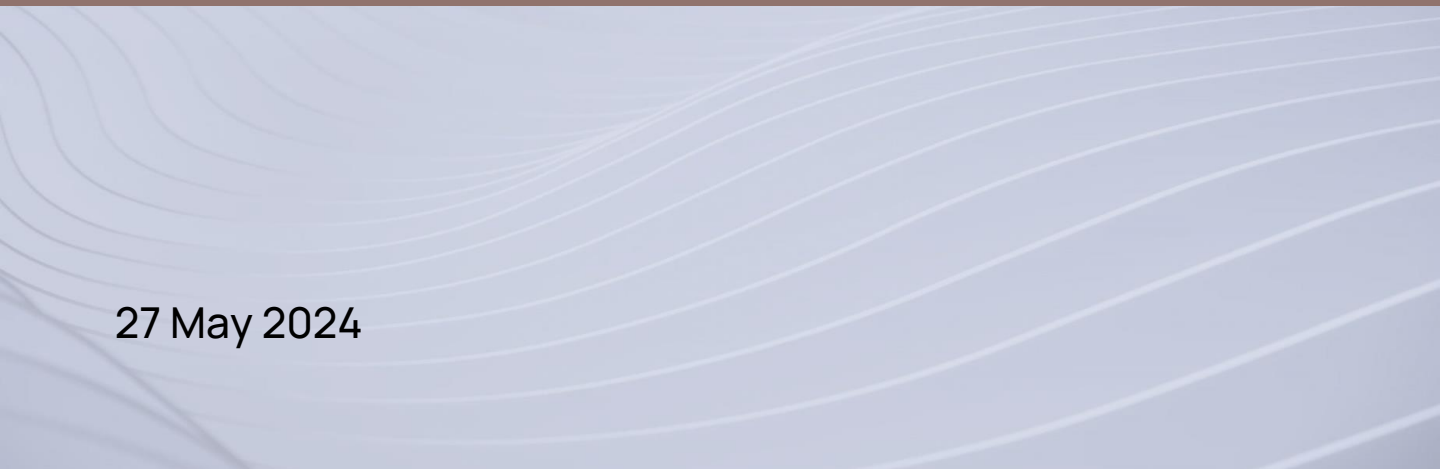




**RUSSIAN COUNTER-SANCTIONS DEVELOPMENTS:  
COMPENSATION OF DAMAGES AND REAL  
PROPERTY TRANSACTIONS**



27 May 2024

May 2024 was marked by a number of developments in Russian counter-sanctions regulations. In particular:

## COMPENSATION OF DAMAGES

On 23 May 2024, Presidential Decree No. 442 On the Special Procedure for Compensation of Damages Caused to the Russian Federation and the Central Bank of the Russian Federation in Connection with the Unfriendly Action by the United States of America (the "**Decree**") was published. It sets out a procedure for the use of U.S. assets as compensation for the seizure of Russian sovereign assets.

In accordance with the Decree, in the event of a decision by the governmental and/or judicial authorities of the United States of America to seize the assets of the Russian Federation and/or the Central Bank of the Russian Federation resulting in a loss of assets ("**Damages**"), the Russian Federation and the Central Bank of the Russian Federation (the "**Designated Claimants**") will be able to seek compensation in court at the expense of the assets of the United States and related persons located in Russia.

To this end, the Designated Claimants will be entitled to apply to a Russian court in accordance with the established rules of jurisdiction for the establishment of the fact of unjust deprivation of their rights to the assets concerned and for the award of Damages. The application will have to contain, inter alia, an assessment of the Damages sought.

Once the application has been admitted to proceedings, the court will have to inquire with the Government Commission for Control over Foreign Investment in the Russian Federation (the "**Government Commission**") as to assets in Russia belonging to:

- the United States; and/or
- U.S.-related persons, including (i) U.S. citizens or residents whose place of incorporation, predominant place of business or profit-making is the United States; and (ii) their controlled persons, regardless of their place of incorporation (collectively, "**U.S. Persons**").

The Decree potentially allows for a broad interpretation of the concept of "U.S. Persons". It is possible that such persons may include companies that are not formally or legally under the corporate ownership or control of U.S. beneficiaries.

The Decree also defines the scope of assets of U.S. Persons which could be subject to such proceedings. These include:

- movable property and real estate located in the Russian Federation;
- securities and equity interests in Russian legal entities; and
- other property rights.

Should the court find in favour of the Designated Claimants and establish that they have been unjustly deprived of their assets through action by U.S. authorities, the court will be required to award damages and order a transfer of the U.S. persons' assets (presumably of commensurate value to that of the Designated Claimants' assets affected by U.S. government action) identified by the Government Commission as per above.

A number of provisions of the Decree require the Russian Government to take regulatory action and promulgate supporting regulation. These include:

1. Determining the procedure for the court's inquiry with the Government Commission and the procedure for determining the U.S. persons' assets to be used in such proceedings.
2. Determining the federal competent authority designated to represent the Russian Federation.
3. Determining further necessary legislative amendments.

## TRANSACTIONS WITH REAL PROPERTY

On 15 May 2024, the Russian Ministry of Finance published an excerpt from the minutes of a meeting of the Sub-Commission of the Government Commission, which stated that the Sub-Commission had decided to exempt, from the prior approval requirement that was introduced by Presidential Decree No. 81, dated 1 March 2022, generally transactions involving the acquisition by a party associated with an unfriendly state of title to real property from a Russian party.

While it is unlikely that this measure by itself will create, in the current geopolitical climate, a boom in the Russian property market, it is definitely a positive regulatory development.

We will continue monitoring the situation.