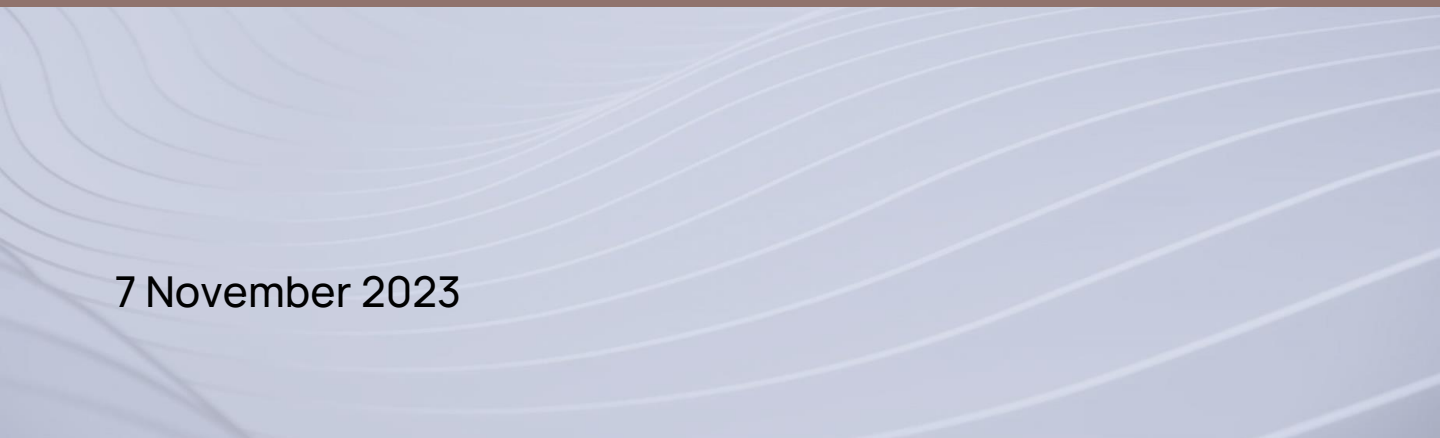




**RUSSIAN COUNTER-SANCTIONS REGULATIONS:
FURTHER PROPOSED AMENDMENTS TO LAW NO. 470-
FZ AND THE CODE OF ADMINISTRATIVE OFFENCES**



7 November 2023

In early September 2023, Federal Law No. 470-FZ On the Peculiarities of Regulating Corporate Relationships in Business Entities That Are Economically Significant Companies (**Law 470-FZ**) came into effect. Law 470-FZ has introduced certain mechanisms for the effective removal of foreign holding companies associated with unfriendly states and holding at least 50% of the voting rights in Russian companies designated essential for the Russian economy, from exercising such rights. Thus, with such holding intermediaries removed, the ultimate Russian beneficial owners of such companies could (and, in fact, should) exercise their rights directly, bypassing the legal and practical obstacles that such holding companies would otherwise represent in the present geopolitical environment.

As we advised in our previous client alert, draft amendments to Law 470-FZ were submitted to the State Duma for consideration on 20 October, with a view to facilitating the implementation of Law 470-FZ, including by exempting the “holdco removal” scheme from a number of regulatory and corporate law requirements that would have applied otherwise.

On 2 November 2023, further draft amendments to Law 470-FZ were submitted to the State Duma, which confirm the exemptions proposed previously and, in addition, elaborate on the removal scheme.

In particular, the new amendments to Law 470-FZ:

- provide that not only **Russian** ultimate beneficial owners may take direct possession of shares/equity interests in Russian companies designated essential, but also those who are not Russian nationals or Russian residents. The difference is that the former must take such direct possession, whereas the latter may do so;
- appoint the Federal Service for Financial Monitoring (FSFM - the government authority in charge of anti-money laundering) as the competent implementation authority; and
- regulate certain procedural matters relating to applications to take direct possession, and further interaction with FSFM. In particular, relevant Russian companies designated essential must notify FSFM if a Russian UBO fails to take such direct possession in accordance with Law 470-FZ. Once notified, FSFM will direct the UBO to remedy the failure by taking possession.

Furthermore, consequent amendments to the Russian Code of Administrative Offences were submitted, also on 2 November, to the State Duma – with a view to equipping Law 470-FZ with administrative sanctions. In particular:

- if an essential Russian company fails to notify FSFM as per above, individuals responsible may be fined between 200,000 and 500,000 roubles, and responsible legal entities between 500,000 and 700,000 roubles; and
- similar fines may be imposed on responsible individuals and legal entities associated with the Russian UBO in question if the latter fails to take remedial action as per FSFM's direction.

We have yet to see whether the proposed amendments to Law 470-FZ and the Code of Administrative Offences will be enacted in their current form, if at all. We will continue monitoring the situation.



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