A buy-back of assets by foreign investors, redomiciliation and an option to donate: amendments to corporate legislation have been adopted

FAO Russian purchasers of assets, foreign investors, international companies, as well as heads of legal departments and corporate governance specialists

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Pepeliaev Group advises that, on 4 August 2026, Federal Law No. 319-FZ[1] (the "Law") was signed and officially published. It amends the Federal Law "On International Companies and International Funds" and a number of other legislative instruments.

Initially, the draft of the Law clarified the procedure and time limits for foreign companies to be redomiciled to Russian special administrative regions (SARs). During preparation for its second reading, it was supplemented with a fundamentally new set of provisions: a mechanism for terminating through court action a foreign investor's right to buy back a Russian asset it had previously disposed of. After February 2022, when exiting a Russian business, foreign investors often retained an option to have the asset returned on pre-agreed terms and conditions; the Law gives the Russian party the opportunity to go to court to seek to have such right terminated .

I. A buy-back of assets by a foreign investor

Federal Law No. 160-FZ dated 9 July 1999 "On Foreign Investments in the Russian Federation" (the "Law on Foreign Investments") is supplemented by article 20.1.

Condition for applying it: article 20.1 applies where, after 22 February 2022, a foreign investor has disposed of shares (membership interests) in a Russian business entity and/or other business assets located in the Russian Federation in favour of a Russian citizen, a Russian legal entity or a foreign legal entity controlled by a Russian citizen and incorporated in a friendly jurisdiction, while retaining the right to buy the asset back.

Such right may be terminated further to a claim brought before a court, provided that two groups of conditions are met simultaneously:

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[1] Federal Law No. 319-FZ dated 4 August 2026 "On Amending Article 5 of the Federal Law 'On International Companies and International Funds' and Certain Legislative Instruments of the Russian Federation".

1. The behavioural condition: after 22 February 2022, the foreign investor has engaged in any of the actions listed in the article (three groups):

- publicly supporting unfriendly actions against Russia, its citizens or legal entities, or calling for such actions; discrediting the use of the Armed Forces of the Russian Federation and/or the exercise by Russian state authorities of their powers; or disseminating information known to be false about the use of the Armed Forces of the Russian Federation or the exercise by Russian state authorities of their powers;
- financing terrorism or extremist activities, and/or financing the proliferation of weapons of mass destruction;
- withdrawing from the Russian market: having publicly announced that they are terminating or suspending its activities in the Russian Federation; improperly performing its obligations under corporate and similar agreements; restricting entry into or the performance of agreements of material importance to the activities of the target of foreign investment, and/or terminating such agreements, including prohibiting the use of intellectual property and means of individualisation.

Pepeliaev Group's Comment

Actions falling within the third group are deemed to have been committed if they are not driven by obvious economic reasons and/or there are grounds to believe that they relate to the investor complying with foreign restrictive measures imposed by foreign states or international organisations engaging in unfriendly actions.

2. The economic condition:

- the buy-back price deviates from the market value of the target of the investment by 25% or more, and/or
- the purchaser has made additional investments and taken other actions without which the activities of the target in Russia could have been suspended, significantly reduced or terminated.

Who may bring a claim and under what procedure:

- the Russian owner of the asset, after obtaining the position of the relevant ministry confirming that the claim is consistent with the objectives of article 20.1 of the Law on Foreign Investments and an opinion of the Government Commission for Control over Foreign Investment (the "Government Commission");
- the relevant ministry, after obtaining permission from the Government Commission.

A claim may be brought regardless of whether the foreign investor has sought to exercise its buy-back right.

Jurisdiction: the Commercial Court of Moscow Region

A claim to have the right to a buy-back terminated is heard by the Commercial Court of Moscow Region. This also applies where the parties have agreed to submit disputes to a foreign court or to international commercial arbitration outside the Russian Federation, but such agreement is unenforceable owing to restrictive measures that prevent access to justice.

Compensation for the foreign investor: reducing the payment or refusing to pay

No later than one year from the date on which a court judgment enters into force upholding a claim to have the right to a buy-back terminated, the foreign investor may apply to the purchaser for compensation.

A court may resolve the issue of reducing the compensation or refusing to pay it:

- when upholding the claim to have the right to a buy-back terminated;
- in separate proceedings initiated by the purchaser that relate to determining the amount of compensation.

The court has the right to:

- reduce the amount of compensation (taking into account the nature of the investor's actions, the amount of the losses associated with them and the amount of the purchaser's investment in the target after it was disposed of);
- refuse compensation (if the investor or persons who are, or were, its single-member executive bodies engaged in actions that related to financing terrorism, extremist activities or the proliferation of weapons of mass destruction, and this served as the basis for such persons to have administrative or criminal liability imposed on them).

The rules of article 20.1 apply to investors connected with unfriendly states (by citizenship, place of registration, principal place of business or place where profit is generated), to foreign investors they control regardless of the place of registration, and to Russian legal entities they control.

Notably, by bringing the regulation of buy-backs up for the first time from the level of decisions by the Government Commission to the level of federal law, the legislature has opted for a restrained approach: the option agreements themselves remain valid, but where the conditions established by law are met, the court terminates the foreign investor's right to require a buy-back, while retaining its right to compensation. It is expressly emphasised that these provisions are not intended to unjustifiably prejudice the rights of foreign investors.

At the same time, the mechanism is not limited to a private-law dispute: the position of the relevant ministry and an opinion of the Government Commission must be obtained before applying to the court. The Russian Government is yet to determine the procedure for issuing these, meaning that the fate of an option will largely depend on the State's position regarding the particular asset. Since the key conditions are formulated in evaluative terms, the practical contours of the mechanism will be determined by the case law of the Commercial Court of Moscow Region, which has exclusive jurisdiction over such disputes.

II. Redomiciliation of international companies: time limits and procedures

Amendments to article 5 (specific aspects of the state registration of an international company) of Federal Law No. 290-FZ dated 3 August 2018 “On International Companies and International Funds” (Law No. 290-FZ):

- the period for the management company to review documents has been extended from two to 15 business days;
- the grounds for a refusal have been expanded to include reasonable doubts as to the accuracy of the information submitted;
- it has been clarified that removing a foreign legal entity from the register of foreign legal entities in the state (territory) of its personal law may take place through redomiciliation, compulsory removal from the register, liquidation or on other grounds;
- the maximum period for which the time limit may be extended for removing a foreign legal entity from a foreign register has been increased from one year to two years;
- Part 14.5 has been introduced, under which the Government Commission, in accordance with the procedure established by the Russian Government, may recognise that the requirement to be removed from a foreign register has been satisfied where restrictive measures imposed or potentially to be imposed by foreign states or international organisations are, or may be, applicable to a foreign legal entity (including before it is registered as an international company), the international company itself, or their shareholders, participants or beneficiaries, and such measures involve unfriendly actions against the Russian Federation, Russian legal entities or Russian citizens.

In addition, the temporary relaxations applicable to registering international companies have been extended until 31 December 2027 inclusive, allowing registration to be completed where documents cannot be obtained abroad:

- when registering through a procedure of redomiciliation, a foreign legal entity may submit a copy of the resolution to change its personal law and to approve the charter of the international company;
- an applicant that is unable to submit certain documents (for registering a company – article 5(3.2) and article 12.2(4.1); for registering a share issue –article 7(7.1)), or where the documents have been signed by a person whose authority is not confirmed by the charter or another constitutional document, may submit an explanation of the reasons to the management company instead of the relevant document;
- having received such an explanation, the management company may refrain from refusing registration and instead forward the documents to the registration authority or the Bank of Russia together with its position (article 5(6.1), and the second sentence of article 7(10)).

Most of the amendments concerning redomiciliation are procedural in nature. However, new Part 14.5 is of independent practical importance. Previously, a refusal by a foreign authority to remove a company from a register, or the absence of a response to applications, could serve only as grounds for the relevant time limit to be extended. Part 14.5 introduces a different mechanism: the Government Commission will be able to recognise that the requirement to be removed from a foreign register has been satisfied where restrictive measures are being applied, or threatened, against the company, its shareholders, members or beneficiaries. This reduces the evidential burden in situations where sanctions-related restrictions make completing the procedure in a foreign jurisdiction more complicated.

Transitional provisions

The Law establishes special rules for foreign legal entities whose previous place of registration was in unfriendly states or territories and which, as at the date the Law enters into force, have already been entered in the register of participants of a Special Administrative Region (SAR) as international companies or may be entered by the management company no later than 1 September 2026.

If the personal law of such entity does not provide for, or expressly prohibits, redomiciliation to the Russian Federation, but a resolution has been adopted to change its personal law and register it as an international company in Russia, the requirement to adopt a resolution to change its personal law is deemed to have been satisfied.

A separate rule applies to a foreign legal entity removed from a foreign register after 24 February 2022. If, before its removal, it adopted a resolution to change its personal law and register as an international company in the Russian Federation, such entity retains or acquires the status of an international company. It is recognised as validly existing and continuously operating from the date when it was originally registered or incorporated and, from the date when it is registered in Russia, as a business entity with international company status.

For international companies with respect to which a decision was made to extend the period for removal from a foreign register before the Law entered into force and where that period expires after the Law enters into force, a relaxation is provided: until 1 January 2028, the requirements to complete the removal within a two-year period or extend it do not apply, and the running of this period is suspended.

III. Economically significant organisations

The Law extends until 1 January 2029 the maximum period for which a court may establish specific rules governing how a foreign holding company exercises its corporate rights with respect to economically significant organisations (ESOs).

The two-year extension is technical in nature, but confirms a trend: the regime for ESOs was initially conceived as temporary, but it is being subjected to a series of extensions and is in effect becoming a permanent instrument for regulating corporate relations with unfriendly foreign participation.

IV. An option to enter into an agreement to donate a membership interest

The fourth paragraph of article 21(11) of Federal Law No. 14-FZ dated 8 February 1998 "On Limited Liability Companies" has been supplemented with a rule under which an option to enter into a donation agreement may be exercised provided that the option itself was granted free of charge (without payment or other consideration being received).

The amendment aligns the structure of the option with the free-of-charge nature of a donation. As a general rule, payment for an option is made for granting the right to enter into the principal agreement rather than directly for the asset to be transferred. Therefore, in theory, a paid option could combine a donation, formally for no charge, of a membership interest with actual reciprocal consideration. The new rule excludes such a structure: not only must the transfer of the membership interest be free of charge but so must the granting of the option itself. This also reduces the risk of an option to donate a membership interest being used as a means of disguising its sale and the pre-emptive right of other members in an LLC being circumvented.

Main conclusions

The Law makes the main changes in two areas of regulation. The exercise of a buy-back of an asset by persons from unfriendly states is moved from the purely contractual sphere into the sphere of administrative and judicial oversight: whether an option is preserved will depend not only on its terms and conditions, but also on the investor's conduct, the market price of the asset, subsequent investments by the purchaser and how the reasons are assessed for the foreign business to have withdrawn.

The amendments concerning redomiciliation and the transitional provisions ease the obstacles arising under foreign law, enabling certain companies to retain the status of an international company as well as uninterrupted existence, while they suspend until 2028 the running of the period for certain international companies to be removed from a foreign register. Thus, the Law simultaneously restricts the return of unfriendly investors and facilitates the establishment of international companies in the Russian jurisdiction.

What to think about, what to do

Russian purchasers of assets are advised to prepare a legal and evidential strategy in advance: to document additional investments, the measures taken to maintain the asset's operations, its market value and any deviation of the agreed buy-back price from that value. These circumstances are relevant both to substantiating the economic basis for having the right to a buy-back terminated and to determining the amount of compensation payable to the former foreign owner.

In addition, where the necessary grounds exist, the purchaser may independently initiate the procedure for having the right to a buy-back terminated, without waiting for the foreign investor to attempt to exercise its right to have the target of the investment returned. When preparing such a strategy, the need to obtain the position of the relevant ministry and an opinion of the Government Commission should also be taken into account.

Foreign legal entities that are in the course of being redomiciled should take into account the new rules governing the time limits and procedure for being removed from a foreign register. Companies planning to be redomiciled should also consider the possibility of applying article 5(14.5) of Law No. 290-FZ. Specifically, where there is a risk of restrictive measures being applied against the company, its shareholders, members or beneficiaries, an application to the Government Commission may be considered to have the requirement to be removed from the foreign register recognised as having been satisfied.

Help from your adviser

Pepeliaev Group’s specialists are ready to provide legal support on matters relating to how the new regulatory framework is applied.

The Law entered into force on 4 August 2026, on the date when it was officially published.

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