

DRAFT

# Russia is opening doors for branches of foreign banks

*FAO foreign banks*

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**Pepeliaev Group advises that, from 1 September 2024, foreign banks may open branches in Russia.**

On 8 August 2024, a law was published<sup>1</sup>, whereby the relevant amendments have been made to the Federal Law “On banks and banking” and certain other legislative acts of the Russian Federation.

The amendments are aimed at creating conditions for the system of international settlements and at attracting foreign investments.

A foreign bank may open only one branch office in Russia. In order to do so the foreign bank should apply to the Bank of Russia for a licence to perform banking transactions for doing business in the Russian Federation through a branch office and for obtaining accreditation for such branch office.

The branch office must put in place a guarantee deposit to secure the performance of obligations under the signed agreements in the amount of no less than RUB 1 billion by placing funds on the correspondent account of the foreign bank in Russia or investing in federal loan bonds or securities that the Bank of Russia issues in its own name.

## **Pepeliaev Group’s comment**

Security deposits put in place by the branches of foreign banks will be included in the participatory share of foreign capital in the banking system of the Russian Federation on an equal footing with investments of non-residents in the issued capitals of foreign banks.

The maximum participatory share of foreign capital in the banking system of the Russian Federation cannot be more than 50%.

The Law also establishes requirements for the foreign bank and branch office, their management bodies, officers, etc. Most of these requirements are the

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<sup>1</sup> Federal Law No. 275-FZ “On amending the law of the Russian Federation ‘On banks and banking’ and individual items of legislation of the Russian Federation” dated 8 August 2024.

same as the requirements imposed when a subsidiary bank is registered in the Russian Federation.

A foreign bank may do business in Russia through its branch office on condition that there is an agreement to exchange information in a form that is customary in international practice between the Bank of Russia and the authorised supervisory body of the corresponding foreign state where the foreign bank is actually located.

The foreign bank is liable under the obligations that it assumes through the branch office it has founded in Russia.

### **Banking transactions and transactions that the branch office is authorised to perform**

A foreign bank acting through its branch office created in Russia may perform the following transactions with respect to legal entities:

- opening and maintaining bank accounts;
- wiring funds further to the instructions of persons/entities, including correspondent banks, across their bank accounts;
- collecting funds, promissory notes, payment and settlement documents and cash banking services;
- purchasing and selling foreign currency in cash and cashless forms;
- transferring funds, including electronic money, without opening bank accounts (save for mail payments).
- issuing sureties on behalf of third parties that provide for the performance of obligations in monetary form;
- acquiring from third parties rights to demand performance of obligations in monetary form;
- leasing out special premises or safe deposit boxes for storing documents and valuable items;
- leasing transactions;
- providing advice and information services;
- issuing bank guarantees;
- other transactions in accordance with Russian legislation.

With respect to individuals, including those registered as individual entrepreneurs, a foreign bank acting through its branch office founded in Russia may perform only the following types of transactions:

- purchasing and selling foreign currency in cash and cashless forms. At the same time, the sale and purchase of foreign currency in a cashless form may be performed only with a view to wiring funds, including electronic money, without opening bank accounts (save for mail payments);

- transferring funds, including electronic money, without opening bank accounts (save for mail payments).

It is prohibited to create domestic structural subdivisions and engage banking payment agents (sub-agents).

### **What to think about and what to do**

Foreign banks that may be interested in doing business in Russia are recommended to analyse whether they comply with the established requirements. In addition, they should check whether they are able to perform certain banking transactions through a branch office, bearing in mind the restrictions that have been established.

### **Help from your adviser**

Pepeliaev Group's experts have extensive experience of registering credit institutions in Russia and supporting them as they do business.

We are ready to provide comprehensive legal support to foreign banks on the issues of obtaining a licence and opening branch offices or of them becoming accredited to carry out operations in Russia, as well as to offer legal support during this procedure.

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## **Contact details**



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