

Transactions with Unfriendly-State Persons in 2026

Updated: August 2026

Introduction: from the first decree to a comprehensive system

Regulation of transactions involving foreign persons from unfriendly states has evolved rapidly: from the basic approval regime introduced in September 2022 to a complex system of restrictions, conditions and court positions that exists by mid-2026.

The starting point was [Presidential Decree No. 618 dated 8 September 2022](#). It introduced a special procedure for transactions involving participatory interests in Russian limited liability companies, where such transactions directly or indirectly establish, change or terminate rights of ownership, use or disposal of such interests, or other rights allowing a person to determine the management terms of such companies. Since then, transactions involving persons from unfriendly states have required approvals from the Government Commission for Control over Foreign Investments in the Russian Federation. An exception was made only for certain financial and fuel-and-energy sector organisations.

On 19 September 2022, the Russian Government approved the procedure for obtaining such approvals ([Resolution No. 1651](#)). On 13 October 2022, the Ministry of Finance published [clarifications](#) specifying the types of transactions covered by Decree No. 618: from transfers of participatory interests and acquisition by an LLC of its own interest to pledges, trust management, shareholders' agreements and even simple partnership agreements. In total, 13 categories were listed, plus "other transactions".

In parallel, [Decree No. 737 dated 15 October 2022](#) introduced additional restrictions on payments upon reduction of charter capital, liquidation of LLCs and bankruptcy procedures, setting a threshold of RUB 10 million per month. If the threshold is exceeded, a type "C" special account or a permit from the Ministry of Finance is required.

From late 2022, the conditions for obtaining approvals began to tighten. Initially, according to [Extract No. 118/1 dated 22 December 2022](#), the requirements included an independent valuation, a discount of at least 50% to market value, KPIs for new owners and an alternative: payment by instalments for 1-2 years and/or a voluntary contribution to the budget of at least 10% of the transaction amount. By March 2023, that alternative had disappeared: the contribution became mandatory.

By August 2026, the analysis of a transaction with a foreign element is built around the specific operation, rather than around the general label "unfriendly counterparty".

- For participatory interests in LLCs, Decree No. 618 applies.
- For loans, financial instruments and, from 1 June 2026, bank deposits, Decree No. 95 and Decree No. 81 apply.
- For corporate payments, Decree No. 254 applies.
- For real estate, Decree No. 81 applies.
- For certain intellectual property payments, Decree No. 322 applies.
- The rules of the Government Commission, currency control requirements, withholding tax, double tax treaty issues and transfer pricing aspects also remain relevant.

Several important sources and clarifications were added in 2026:

- [Thematic Review of the Supreme Court of the Russian Federation No. 8/2026 dated 17 June 2026](#);
- [Official Clarifications of the Ministry of Finance No. 5 dated 1 July 2026](#);
- [Government Resolution No. 888 dated 15 July 2026](#);
- [extension of the Bank of Russia restrictions on foreign transfers until 7 December 2026](#); and
- [Federal Law No. 319-FZ dated 4 August 2026](#) on judicial termination of certain buyback rights.

Map of new points of focus as of August 2026

Evolution of exit conditions: from 2022 to 2026

To understand the current requirements correctly, it is critical to see how the conditions for obtaining approvals for transactions with participatory interests in LLCs involving persons from unfriendly states have tightened over time.

December 2022: initial conditions (Extract No. 118/1)

The Government Commission subcommittee set the first conditions for issuing approvals:

- an independent market valuation of the assets;
- sale of assets at a discount of at least 50% to market value;
- establishment of key performance indicators (KPIs) for new owners;
- payment by instalments for 1-2 years and/or a voluntary budget contribution of at least 10% of the transaction amount.

At the same time, conditions for dividend payments were formulated for the first time where payments exceeded RUB 10 million per month or the equivalent in foreign currency under Decrees No. 95 and No. 254: dividends of no more than 50% of net profit for the previous year, retrospective analysis of previous distributions, willingness of foreign participants to continue commercial activity in Russia, positions of federal executive bodies, quarterly KPIs and quarterly payments subject to KPI performance.

March 2023: tightening (Extract No. 143/4)

Material changes were introduced: the budget contribution became mandatory; two contribution options were introduced; applicants were recommended to provide expert opinions from self-regulatory organisations of appraisers together with valuation reports; and a list of appraisers recommended for market valuation was published.

July 2023: systematisation (Extract No. 171/5)

The document repealed protocols No. 118/1 and No. 143/4 and introduced a comprehensive package of conditions for LLC interest transactions: valuation by a recommended appraiser, an SRO expert opinion, a discount of at least 50%, a voluntary budget contribution within three months after the transaction, KPIs for buyers, buyback at market value on the exercise date with economic benefit for the resident, settlement through a type “C” account or other permitted routes, and other required approvals.

For dividends, the July 2023 criteria included no more than 50% of net profit for the previous year, retrospective analysis, readiness to continue activity in Russia, assessment by federal authorities, KPIs and quarterly payments.

August 2023: easing for dividends (Extract No. 182/5)

Approvals for dividend payments could be issued without complying with the standard conditions where investments had been made into the Russian economy after 1 April 2023, for example expansion of production or development of new technologies, and within the amount of such investments.

October 2023: further tightening (Extract No. 193/4)

The voluntary contribution was increased to 15% of market value. The application form was also updated: beneficial owners of all transaction parties, not only the applicant, had to be disclosed.

January 2024: procedural clarifications (Resolution No. 40)

Government Resolution No. 40 dated 22 January 2024 established mandatory inclusion of an independent valuation report from a recommended appraiser, mandatory indication of KPIs and their target values for buyers, monitoring of KPI achievement by federal executive bodies and/or the Bank of Russia, and exceptions from valuation and KPI requirements for transactions within the same group and for transactions between persons connected with unfriendly states.

October 2024: new tightening of conditions (Extract No. 268/1)

The key conditions for approvals in exit transactions became: a voluntary budget contribution of 35% of market value, paid as 25% within one month after closing, 5% within one year and 5% within two years; a mandatory discount of at least 60% to market value; and Presidential consent where the asset value exceeds RUB 50 billion. These conditions apply both to future applications and to applications already filed but not yet considered.

July-August 2026: two developments moving in different directions

1. Ministry of Finance Clarifications No. 5: approval of the Government Commission is not required for two types of action: amendment of an LLC charter regarding formation, competence or termination of management bodies, provided participant rights and actual control are not changed; and change of a participant's interest as a result of cancellation of an undistributed or unsold interest held by the LLC itself with a corresponding decrease of charter capital.
2. Federal Law No. 319-FZ dated 4 August 2026: the law introduced a mechanism for judicial termination of buyback rights of foreign investors from unfriendly states in relation to previously sold Russian assets. The Arbitrazh Court of the Moscow Region may deny exercise of such buyback right where, among other factors, the former owner publicly supported anti-Russian sanctions or discredited the Russian Armed Forces, the sale was non-market in nature, or the new owner made significant investments without which the asset could have stopped operating. A claim may be filed before the investor demands the buyback. If the right is terminated, the investor may have a separate compensation route, although the amount and availability of compensation depend on the circumstances.

Verification matrix: operation, approval, payment and documents

When assessing feasibility and the required steps for a transaction, the starting point should not be the general question of an unfriendly jurisdiction. The starting point should be a map of the specific operation.

The same foreign group may simultaneously hold an interest in a Russian LLC, a loan, a licence agreement, a service agreement, a branch and real estate. Each element may have its own regime, payment route and document set.

Type “C” special accounts: practical guidance

Type “C” special accounts were introduced on 5 March 2022 by Presidential Decree No. 95 “On the temporary procedure for fulfilling obligations to certain foreign creditors”. Decree No. 737 dated 15 September 2022 also introduced additional restrictions on payments to foreign companies, in particular upon liquidation or reduction of

charter capital; it entered into force on 15 October 2022.

When a type “C” account must be opened

A type “C” account is required for payments exceeding RUB 10 million, or the equivalent in foreign currency, in a calendar month to unfriendly foreign counterparties, and also to friendly foreign creditors if claims under the obligations were transferred to them from unfriendly creditors after 1 March 2022. This covers, among other things, aggregate debtor obligations under loans and credits, dividends and profit distributions by LLCs, financial instruments, derivative financial instruments, purchase of real estate from unfriendly individuals, and payments upon reduction of charter capital, liquidation or bankruptcy of resident legal entities, unless a permit is obtained.

Who opens the account, where and in which currency

The resident sends an application to a credit institution to open a type “C” account in the name of the foreign creditor; a bank account agreement is not required. The foreign creditor cannot open a type “C” account on its own initiative. The account is maintained in roubles, cannot be opened in foreign currency and cannot be opened with a foreign credit institution. A regular bank account opened earlier is not suitable, although certain securities accounts opened before 24 March 2022 may be used.

When the account is not required

The account is not required if the aggregate amount of all debtor obligations to all foreign creditors in a calendar month does not exceed RUB 10 million or the equivalent in foreign currency at the official exchange rate of the Bank of Russia as of the first day of the relevant month, or if an approval has been obtained. It is also not required if the obligation is performed to a person that is not “unfriendly”, subject to the relevant beneficiary and disclosure criteria.

What is permitted when using a type “C” account

A type “C” account opened for a non-resident at the request of one resident may be used by other residents to fulfil obligations to the same non-resident. Funds may be transferred to a type “C” account opened with a bank other than the resident’s servicing bank. Roubles may also be transferred between type “C” accounts of the same legal entity non-resident opened with different credit institutions. Residents are not restricted from using several type “C” accounts for different obligations in favour of one non-resident, or from using one type “C” account.

Restrictions and specific features

Funds on a type “C” account belong to the foreign creditor from the moment they are credited to the account and until an agreement is concluded with the foreign creditor. The bank may not close such account unilaterally merely because the foreign creditor has not contacted the bank. The resident may not dispose of or claim return of funds from the type “C” account, except in cases of erroneous crediting. Transfer from a type “C” account to another non-resident account, whether in Russia or abroad, is currently impossible without permission.

Permitted debits from a type “C” account

- payment of taxes, duties, fees and other mandatory budget payments;
- transfers for purchase of federal loan bonds;
- transfers to non-resident rouble accounts where permitted;
- other operations provided for by an approval;
- payment of fees to the authorised bank servicing the account.

LLC interests: where is additional approval required and where is it not?

Decree No. 618 covers transactions and operations that directly or indirectly establish, change or terminate rights of ownership, use or disposal of participatory interests in Russian LLCs, as well as other rights allowing a person to determine the management or business activity of the company.

The risk therefore arises not only in a classic sale of an interest. Options, pledges, trust management, corporate agreements, changes in ownership chains and transfer of management control also require review.

In October 2022, the Ministry of Finance specified the list of transactions requiring approval of the Government Commission: transfer of an interest in an LLC to participants or third parties; acquisition by an LLC of its own interest; exit of a participant from an LLC; transfer of an interest to an investment fund; agreement transferring powers of the sole executive body; corporate agreement; convertible loan agreement; pledge of an LLC interest; pledge management agreement; voluntary reorganisation; simple partnership agreement; trust management, agency or other agreement concerning rights attached to LLC interests; and other transactions.

Official Clarifications No. 5 dated 1 July 2026 are useful precisely because they are narrow. They exclude from Decree No. 618 certain LLC charter amendments concerning the formation, competence or termination of company bodies, and changes in a participant's interest resulting from cancellation of an undistributed or unsold interest held by the company itself with a charter capital decrease under Article 24 of the LLC Law.

Exit transactions: approval changes the economics, not only the timing

Extract No. 268/1 of the Government Commission subcommittee records the conditions generally applied to certain exit transactions by foreign investors: independent valuation, expert opinion, discount of at least 60% to market value, voluntary payment to the federal budget of at least 35% of market value, and Presidential consent where the asset value exceeds RUB 50 billion. The contribution is paid according to a schedule: 25% within one month after closing, 5% within one year and 5% within two years.

These criteria should not be presented as a direct universal prohibition on selling an asset for more than 40% of its market value. However, in the financial model of an exit transaction they operate as a mandatory scenario to calculate. In addition to price and settlement terms, an approval may contain post-closing obligations for the new owner: preservation of activity, jobs, technologies, contracts, investment obligations, reporting to a competent authority or subsequent securities placement. Resolution No. 888 dated 15 July 2026 further confirms that interaction with the Government Commission remains procedurally complex.

Buyback after asset sale: an option is no longer a neutral right

On 4 August 2026, Federal Law No. 319-FZ was adopted, introducing judicial termination of certain buyback rights of foreign investors in relation to Russian assets.

The new mechanism focuses on assets disposed of after 22 February 2022 by a foreign investor connected with an unfriendly state to a Russian acquirer or another permitted acquirer. A buyback right may be terminated by court. Two groups of circumstances are particularly relevant: the conduct of the foreign investor after exit, and the economic terms of the transaction or subsequent actions of the acquirer.

For a transaction with a buyback right, it is not enough to analyse only the old option and its terms. The buyback price, market value evidence, investments by the current owner, corporate and operational obligations, public statements by the foreign investor, sanctions restrictions, correspondence with suppliers and rights holders should all be reviewed. If the right is terminated by court, the foreign investor may have a separate compensation route, but its amount and availability depend on the facts.

Dividends: careful procedure and detailed review are required

Payment of dividends to a foreign participant from an unfriendly state is not prohibited. However, adoption of a corporate resolution on profit distribution is not sufficient by itself: the entire procedure must be reviewed.

Decree No. 254 applies to corporate financial obligations, while performance of obligations to foreign creditors and special accounts are linked to Decree No. 95. For amounts above RUB 10 million per month, or the equivalent in foreign currency, approval of the Government Commission or use of a type “C” special account is required. According to the Supreme Court’s 2026 clarification, artificial splitting of amounts without economic justification may be treated as a violation.

When dividend approvals are considered, the subcommittee usually takes into account the amount of the payment, with a general benchmark of up to 50% of net profit for the previous year, dividend history, continuation of the Russian company’s activity, KPIs and investments by the foreign participant into the Russian economy after 1 April 2023.

Other material points should not be forgotten: proper corporate documents, careful withholding tax analysis in light of the current double tax treaty status with the foreign participant’s jurisdiction, proof of tax residence and beneficial ownership of income, the bank’s currency control requirements and subsequent reporting.

Loans, deposits, assignments and set-offs: courts look at the economic result

Under Decree No. 95, the special procedure applies to obligations under loans, credits and financial instruments owed to certain foreign creditors where the RUB 10 million calendar-month threshold is exceeded. In Thematic Review No. 8/2026, the Supreme Court specifically noted the risk that a payment made without observing Decree No. 95 may be void, and the risk of artificial payment splitting.

The key conclusion of paragraph 4 of Supreme Court Review No. 8/2026 is that formal division of payments into tranches below RUB 10 million with the aim of circumventing the special settlement procedure constitutes abuse of rights. If the totality of operations indicates an intention to bypass Decree No. 95, such actions may be treated as void under Articles 10 and 168 of the Russian Civil Code.

The economic purpose of the operation, total amount of aggregate obligations, control of payment recipients by unfriendly jurisdictions and interconnection of all payments are now critical. An assignment of claim after 1 March 2022 also does not automatically “cleanse” the obligation. The Supreme Court allows analysis of the original creditor, assignment date, nature of the underlying obligation and purpose of the structure, including cases involving a type “O” account under Decree No. 322.

Intragroup services, royalties and transfer pricing: type “C”, type “O” or neither?

Payment for genuine services of a foreign parent company does not automatically become a loan or dividend distribution. However, in 2026 such payment should pass at least four independent tests: economic rationale of the expense, tax deductibility and proper documentation, bank review and currency control, and transfer pricing conditions.

For IT, SAP, HR, procurement, management support and shared service centre charges, an agreement and an act are not enough. Supporting materials are needed: tickets, reports, methodologies, settings, correspondence, cost allocation calculations and confirmation of economic benefit for the Russian company.

Licence payments, software, trademarks and technology payments should be separated from ordinary services or goods payments. For certain obligations to foreign rights holders, Decree No. 322 may apply and a type “O” special account may be required. At the same time, the Supreme Court in Review No. 8/2026 does not support a purely mechanical approach based only on the rights holder’s jurisdiction; the factual circumstances and conduct of the rights holder should be analysed.

Real estate: Russian registration of the parties does not close the control issue

One of the important positions of the Supreme Court in 2026 concerns real estate. In Review No. 8/2026, the court stated that a sale and purchase agreement for real estate located in Russia, entered into with a Russian person controlled by a foreign person from an unfriendly state, may be void if concluded without approval of the Government Commission. For a Russian subsidiary with a foreign participant from an unfriendly state, this means that approval may be required even where the buyer is Russian.

Branches and representative offices: what restrictions apply?

A branch or representative office of a foreign organisation is not a Russian legal entity. It has no participatory interests to sell and no dividends that a Russian company distributes to its participant. However, restrictions apply to the transfer of remaining funds to the head office, including upon closure of accreditation. These restrictions are currently preserved until 7 December 2026, and further extension should be expected.

Liquidation of an LLC: specific features for companies with unfriendly foreign participation

When deciding on liquidation, several general rules should be kept in mind. Liquidation is not a quick process and may take up to one year; this period may be extended by court for another six months. From the moment the liquidation decision is adopted, the powers of the current general director terminate and management passes to the liquidator or liquidation commission. Preparatory work is needed: before liquidation, the company should ensure that it has no outstanding tax debts or supplier/customer debts. HR work should be planned and employment contracts terminated. Documents should be transferred to an archive, with certain documents subject to mandatory retention for at least 75 years or longer depending on the type. A tax audit covering up to the previous three years may occur.

In addition to these general standards, companies with foreign participation from unfriendly states should take account of special points. Payments exceeding RUB 10 million per calendar month made by residents to persons from unfriendly states as a result of liquidation of resident legal entities are subject to a special procedure and should be made through type "C" accounts, unless permits are obtained from the Bank of Russia and the Ministry of Finance. Based on official Ministry of Finance clarifications, liquidation is not directly included in the list of transactions under Decree No. 618 and formally does not require approval of the Government Commission. However, in practice, including under explanations of authorised bodies and notarial chambers, certification of a liquidation application may be refused without such approval. This should be considered at the planning stage.

"Dormant" mode of a company: what to know

Many companies undergoing restructuring go through a phase of reduced activity, often referred to as "dormant" mode. Such phase frequently precedes liquidation. "Dormant" mode is not an official legal term. It means transferring the company into an inactive state, i.e. ceasing commercial activity while preserving the legal entity.

What should be considered when moving a company into dormant mode?

- the company still has to file tax returns, including nil returns, and pay taxes;
- the company still needs a general director;
- the company still needs a registered address;
- liquidity should be planned for minimum ongoing payments: accounting and tax support, software, salary and rent.

Is documentary formalisation required?

No formal document is required to introduce “dormant” mode. However, in some cases participants may adopt a decision to suspend activity. Such decision may be presented to authorities upon request or used as the basis for an internal order.

Should state authorities be notified?

As a general rule, no special notice of dormant mode is required. However, other statutory notifications may be required depending on the facts. For example, if staff reductions are planned, the employment service should be notified two months in advance.

Should counterparties be notified?

As a general rule, no special notices to counterparties are required. However, if the company has open obligations, counterparties should be informed about planned cessation or reduction of commercial activity. Dormant mode does not release the company from contractual obligations or liability for breach.

What about employees?

Dormant mode is not a ground for non-payment of salaries or dismissal. HR matters should be planned carefully. Depending on the circumstances, the company may introduce downtime, reduce staff or terminate employment contracts by another lawful route, but the process should be planned to avoid employment law risks.

Practical scenarios

1. Sale of a Russian LLC to management with a buyback option

Situation. A German participant sells 100% of the interests in a Russian LLC to the general director. The transaction is made at a 60% discount to market value in line with current requirements. A buyback option within two years is included. The seller expects to regain the asset after the geopolitical situation stabilises.

The transaction falls under Decree No. 618 and requires Government Commission approval. An independent valuation by a recommended appraiser and an SRO expert opinion are needed. The discount should be at least 60%; the voluntary contribution is 35% of market value with the 25% / 5% / 5% schedule. If the asset value exceeds RUB 50 billion, Presidential consent is required. The buyer should assume KPIs, and the buyback option should be limited to no more than two years from the initial transaction and priced at market value on the exercise date.

New in 2026: Federal Law No. 319-FZ allows the new owner to terminate the seller's buyback right through court if the statutory conditions are met. The option should therefore not be treated as a guaranteed return of the asset.

2. Dividend payment to a Dutch participant: amount below RUB 10 million

Situation. A Russian subsidiary LLC has a small profit for 2024. A Dutch participant from an unfriendly jurisdiction requests dividends of RUB 6.7 million.

- The payment is below RUB 10 million as a one-off payment, so additional approval is generally not required.
- The foreign participant should provide a proper corporate resolution, tax residence certificate and beneficial ownership confirmation.
- The current double tax treaty status should be checked and withholding tax calculated.
- Not all banks can execute a payment to an unfriendly foreign jurisdiction; the payment route may require separate work.
- All documents should be provided to the bank for currency control.

3. Dividend payment to a German participant: amount above RUB 10 million

Situation. A Russian subsidiary LLC has significant accumulated profit for 2024. A German participant requests dividends of RUB 50 million.

- The amount exceeds RUB 10 million.
- Artificial splitting of the amount into smaller payments creates invalidity risks under the Supreme Court's 2026 clarifications.
- The amount above RUB 10 million per month may be credited to a type "C" special account or require Government Commission approval.
- Corporate, tax residence and beneficial ownership documents are still required.
- The current double tax treaty status and withholding tax should be checked.
- The bank payment route and currency control package should be prepared in advance.

4. Loan repayment in monthly instalments of RUB 9 million

Situation. A Russian LLC owes RUB 80 million under a loan to its Swiss parent company. It plans to repay the debt in equal monthly instalments of RUB 9 million to avoid formally exceeding the RUB 10 million threshold under Decree No. 95 and avoid opening a type "C" account.

The formal monthly limit for each individual payment does not provide immunity. The Supreme Court stated that artificial splitting of payments to circumvent the special settlement procedure may constitute abuse of rights and make payments void. The court will assess the aggregate monthly performance, interest, assignments, set-offs and ultimate beneficiary. The recommendation is not to rely on formal splitting; if the overall obligation exceeds RUB 10 million per month, a type "C" account or Government Commission approval should be considered, and the payment structure should have real economic justification.

5. Single payment for management, IT, SAP, HR function and brand

Situation. A Russian subsidiary makes a monthly payment to its foreign parent company for a bundle of services: management support, SAP maintenance, HR outsourcing, royalties for trademark and software use. Everything is combined in one agreement and one payment.

The risk arises not because a service is always equal to dividends, but because a single mixed payment makes it difficult to comply with different regimes applicable to its components. IT/SAP requires proof of actually rendered services such as tickets, reports and settings. Royalties may fall under Decree No. 322 and potentially require a type "O" special account. Management services require functional analysis, specific documentation and an economic rationale test. A bank and tax inspectorate see the payment purpose and documents, not the group's internal business logic. Weak documentation may lead to requalification and additional tax and penalties.

6. Liquidation of an LLC with a sole participant from an unfriendly state

Situation. A company wholly owned by a UK holding decides to liquidate. Charter capital is RUB 15 million and there are funds on the accounts for settlements with the participant.

Liquidation will take at least one year and may be extended by court. A liquidator should be appointed, inventory and creditor settlements should be performed, documents transferred to archive and a tax audit may occur. For the foreign participant, distribution of funds upon liquidation falls under Decree No. 737 and Decree No. 95. A type "C" account or a permit from the Ministry of Finance is required. Although the Ministry of Finance has clarified that liquidation is not directly listed under Decree No. 618, many notaries may refuse to certify liquidation applications without Government Commission approval, creating a procedural deadlock that should be planned for.

Frequently asked questions

1. Is Government Commission approval required for any transaction with foreigners from unfriendly states?

No. First, the type of operation, status of the parties, subject matter and payment should be determined. Ordinary commercial transactions, such as sale of goods or services, generally do not require additional approvals. However, operations that change control or management rights are likely to require approval.

2. Can an LLC charter be amended without Government Commission approval?

Yes, provided the amendment does not change the ownership structure.

3. Can a new director be appointed without Government Commission approval?

Yes. However, since 2024 this procedure requires mandatory participation of a Russian notary.