

On temporary management of foreign assets

Temporary administration of foreign assets ([President Decree No 302 dated April 25th, 2023](#)).

03.05.2023

On April 25th, 2023 the President signed the Decree on Temporary Administration of Foreign Assets. It is the response measure to actions of unfriendly countries aimed at withdrawal of property of the Russian Federation, Russian citizens and legal entities located outside of the Russian Federation. As for today the Decree affects only certain assets. Still there is a risk that the list may be broadened.

What assets may be subject to temporary administration:

- Movable and immovable property within the territory of the Russian Federation owned by unfriendly persons, persons associated with or controlled by them;
- Securities of or participatory interests in charter capitals of Russian legal entities belonging to persons from foreign jurisdictions;
- Vested interests belonging to persons from unfriendly foreign countries.

When the temporary administration may be implemented:

- In case of deprivation of the Russian Federation, individuals or legal entities of their right of ownership to property located within the territory of a foreign unfriendly country, limitation of rights or threatening of deprivation;
- In case of threatening to national, economical or energy safety.

Who will be the temporary administrator?

This will be Federal Agency for State Property Management (Rosimuschestvo; <https://rosim.gov.ru/>). Though the Decree declares that “another person” may be appointed as the temporary administrator. Rosimuschestvo does not become the owner but exercises its powers except for the right of disposition. Termination of temporary administration is subject to the decision of the President.

The Appendix to the Decree contains the list of securities which the temporary administration applies to immediately. These are shares of PJSC Unipro (<https://www.unipro.energy/en/>) and PJSC Fortum (<https://www.fortum.ru/>) – the affiliates of foreign energy companies.

The Decree main risks:

- Notwithstanding that the Decree relates solely to certain property there is no fixed criteria in the Decree matching which this or that property may become subject to temporary administration;
- Grounds for implementing temporary administration are wide. The expression “threatening to national safety” may include a wide range of different actions by unfriendly countries;
- There is no mechanism for termination of temporary administration.

Last year the draft law regarding external administration in relation to legal entities was initiated at State Duma (№ [104796-8](#)). Pursuant thereto external administration may be initiated in foreign companies that leave the Russian Federation in connection with special military operation. These are the companies that are of importance for stability of economics and civil commerce, protection of rights and legal interests of citizens.

Pursuant to the draft law external administration will be implemented by court basing on the decision of a special commission at Ministry of Economic Development of the Russian Federation (<https://en.economy.gov.ru/>) and application of [Federal Tax Service of Russia](#) (<https://www.nalog.gov.ru/eng/>). Term of external administration is up to 18 months and it may be prolonged.

Further destiny of the draft law is unclear as at passed only the first reading.

DSL specialists will help you to timely recognize legal risks and prevent them.

This article has been prepared by DSL-Service LLC for information purposes only and does not constitute legal advice. This information is not intended to create, and receipt of it does not constitute, an attorney-client relationship. Readers should not act upon this without seeking professional counsel.