



## ProsperoScope Prospects, comments, solutions

On 21 July 2014, Federal Law No. 218-FZ On amendments to certain legislative acts of the Russian Federation (the "Law") was published, which becomes effective on 2 August 2014.

Notably, the Law amends Federal Law No. 173-FZ On foreign currency regulation and foreign currency control. In particular, it specifies the procedure of performing foreign currency transactions with the use of accounts opened with banks outside the Russian Federation for currency residents of the RF; provides that it is possible for residents to receive money into such accounts in the established situations without using accounts in Russian banks; and makes resident individuals responsible for submitting to the tax authorities of reports on the movement of cash on their accounts (deposits) in banks outside the RF.

This issue of ProsperoScope has been created with a focus on this topic.

30 July 2014

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## Changes in currency control regulations

FZ No. 173 On foreign currency regulation and foreign currency control sets limitations on the types of payments that may be directly credited to an account of a Russian currency control resident with a foreign bank. More precisely, under the federal law any transactions which are not explicitly allowed are prohibited. Up to now the list of allowed transactions was very limited. This created a lot of inconveniences, and led to a risk of penalties for individuals where amounts received from Russian currency control non-residents could not be credited directly to an account with a Russian bank for objective reasons.

The Law has extended the list. For example, for amounts already placed in a foreign bank account, it is allowed to: directly credit amounts of interest on the account balance; credit amounts received as a result of currency exchange transactions with funds on such accounts, etc.

Moreover, effective 2 August 2014 it will be allowed to credit to accounts with foreign banks income in the form of salary and other compensation related to the performance by currency control residents of labour activity outside the RF under employment contracts concluded with non-residents.

The Law also provides for other types of permitted transfers that may be made by currency control residents to accounts with foreign banks without using Russian bank accounts. Some of them apply only to transactions which involve crediting of amounts to accounts with banks in OECD or FATF member countries. For example, this is the case with accumulated (coupon) income.

We recommend that each transaction involving crediting of funds directly to an account with a foreign bank be analysed for compliance with the list of permitted transactions. Due to ambiguity of certain paragraphs in the Law, lack of proper analysis may lead to an inadequate conclusion about the legality of a transaction and subsequent penalties for the individual.

The Law also establishes a responsibility for RF currency control resident individuals to submit to tax authorities with which they are registered reports on movement of cash on accounts (deposits) with banks outside the RF together with confirming bank documents. The procedure of such reporting should be established by the RF Government in concurrence with the Central Bank. At the moment, we are continuing to analyse legislation and will be ready to provide a more detailed overview of the issue shortly.

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## Contacts

We hope you will find this information useful and interesting. If you have any questions, please feel free to ask.

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