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Prospects, comments, solutions

Introduction

On 28 November 2015 the draft law "On amending articles 3.5 and 15.25 of the Russian Code of Administrative Offenses and articles 12 and 23 of the Federal Law "On currency regulation and currency control" (hereinafter - the law) came into force. The law introduces long-awaited changes to the existing list of permitted transactions for transferring funds into foreign bank accounts of Russian currency control residents.

In this issue we briefly highlight the aspects of these amendments that may impact individuals.

4 December 2015

In this issue:

**Amendments
introduced to the law
on currency regulation
and currency control
and the Code of
Administrative
Offenses**

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Amendments introduced to the law on currency regulation and currency control and the Code of Administrative Offenses¹

The law expands the list of permitted transactions for transferring funds to foreign bank accounts opened by Russian currency control residents in countries that are OECD or FATF members.

The list of permitted transactions will now include the following:

- Transferring of monetary funds received as a result of alienation of foreign securities listed on a Russian stock exchange or a foreign stock exchange that appears on the list of foreign exchanges approved by item 4 article 27.5-3 of federal law No 39-FZ "On security markets" of 22 April 1996. The **paragraph will come into force as of 1 January 2018**.
As of today the list includes 21 foreign exchanges, including the New York, London and Swiss stock exchanges;
- Transferring of monetary funds received as income from the transfer of monetary funds and/or securities to be managed under fiduciary agreement (where fiduciary is considered a non-resident). This **provision came into force on 28 November 2015**.

Note that under the amendments, Russian currency control residents will only be able to transfer income derived from the sale of foreign securities directly to their foreign bank accounts starting from 2018. It is worth noting that in the absence of additional clarifications, the amendments fail to clarify whether the transfer of monetary funds received as a result of the redemption of bonds into a foreign bank account will be a permitted currency transaction or not.

At the same time from 28 November 2015 Russian currency control residents are now permitted to transfer the income received from a foreign fiduciary manager to their foreign bank accounts. Federal law No 39-FZ "On securities markets" defines securities management as the fiduciary management of securities and monetary funds designated for carrying out transactions with securities and (or) entering into agreements for derivative financial instruments.

The amendments to the Russian Code on Administrative Offenses will enter into force starting from 1 January 2016 and will introduce penalties for violating the terms and procedures for submitting notifications on movement of funds on accounts opened in banks located outside of Russia by individuals who are considered as Russian currency control residents. The burden of the administrative penalties is limited to RUB 20,000. Individuals are expected to submit their

¹ Federal Law No 173-FZ of 10 December 2003 No 173-FZ "On currency regulation and currency control," the Russian Code of Administrative Offenses No 195-FZ of 13 December 2001.

notifications on the movement of funds on foreign bank accounts by 1 June of the year following the reporting year (e.g. on or prior to 1 June 2016 for the year of 2015).

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Contacts

We sincerely hope this information is useful and interesting. If you have any questions, please feel free to contact us.

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Svetlana Meyer

Partner

Private Client Services

Tel.: + +7 (495) 787 06 00

[✉ Send e-mail](#)



Leonid Pechernikov

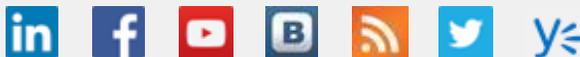
Manager

Private Client Services

Tel.: + +7 (495) 787 06 00

[✉ Send e-mail](#)

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5 Lesnaya Street
Moscow, Russia 125047

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