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Russia adopts legislative amendments setting new buyback call option requirements for foreign “unfriendly” investors

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On August 4, Russian President Vladimir Putin signed the law that imposes new rules for buyback call option execution by foreign “unfriendly” investors (the amendments are introduced to the law “On Foreign Investments in the Russian Federation”).

The respective amendments regarding buyback call option requirements were submitted by several State Duma members (incl. chair of the State Duma Committee on Property and Land Relations Sergey Gavrilov) to the second reading of a pending bill that initially regulated the procedure for international companies’ re-domiciliation. The bill was adopted in the second and third reading by the State Duma on July 21, and approved by the Federation Council (upper house of the Parliament) on July 24.

The provisions of the law came into force upon its official publication.

Background

The preparation of legislative amendments setting new requirements for the execution of buyback call option agreements started in spring 2025 amid broader interagency discussions on how potential re-entries of foreign investors to the Russian market should be treated and how restrictive the approach to investors from “unfriendly” countries should be.

In July 2025, the Government submitted its version of legislative amendments but they were declined by the State Duma upon the request of the Presidential Administration, which was not interested in approval of such restrictive amendments at the time.

The new law is conceptually similar to the last year’s legislative amendments prepared by the Government: it provides Russian business owners and industry regulators with unilateral right to terminate buyback call options in a court order under certain conditions. Yet, the conditions for such termination appear to be broader in the current version of the bill. Also, the procedure for filing claims to terminate buyback call options is specified.

Key provisions of the law

- Russian companies, private persons, foreign legal entities controlled by Russian nationals are granted the right to unilaterally terminate a foreign investor's right to execute call option agreements through a judicial procedure (this applies to foreign investors associated with "unfriendly" states who completed the sale transaction after February 22, 2022 with a buyback option).

- Such a termination will be only possible subject to several simultaneous conditions with respect to the foreign investor's behavior after the launch of the special military operation by Russia, financial parameters of the buyback or economic consequences of the foreign investor's withdrawal. In particular, the following conditions shall be met simultaneously:

1. The foreign investor has committed any of the following actions after February 22, 2022:

   - Publicly supported "unfriendly" actions in relation to Russia, Russian legal entities and citizens / called for such actions; or committed actions aimed at discrediting the use of the Russian armed forces and (or) the exercise by the Russian state bodies of their powers to protect national interests and Russian citizens, as well as maintain international peace and security; or disseminated deliberately false information on the use of the Russian armed forces and the exercise by state bodies of their powers;

   - Committed actions aimed at financing terrorism, extremist activity and/or proliferation of mass destruction weapons (meaning, in practice, any form of support or assistance provided to Ukraine or the Company's employees in Ukraine, including humanitarian assistance);

   - Publicly announced the termination / suspension of activity in Russia and acted upon those announcements; or improperly performed its duties, including those arising from corporate and similar agreements, and (or) hindered the conclusion, execution and termination of agreements important for the company's activity, including in terms of restriction on the use of intellectual property rights, termination, suspension or significant restriction of production / operation in Russia *(such actions are considered committed if they are not caused by obvious economic reasons and (or) there are grounds to believe that they are related to the foreign investor's compliance with sanctions in relation to Russia).*

2. The agreement implies a buyback at a price that deviates from the asset's market value by 25% or more; or the Russian business owner has made additional investments in the asset, as well as committed other actions the

failure to commit which could have led to the suspension, significant reduction or termination of business operation in Russia.

- A claim for the termination of the buyback call option agreement can be filed by the Russian business owner or the industry regulator regardless of whether the foreign investor has applied for the agreement's execution.

- To file such a claim, the Russian business owner is required to initially get the opinion of the industry regulator and the Sub-Commission of the Government Commission for Control over Foreign Investments in Russia. The industry regulator is entitled to file a claim after getting the permit of the Government Commission for Control over Foreign Investments in Russia.

- The claims are to be considered by the Moscow Region Arbitration Court.

- If the court satisfies a claim, the foreign investor may request compensation within one year after the court decision. However, 1) the amount of the compensation may be reduced by the court taking into account losses from the foreign investor's actions (please see above the grounds for the buyback call option termination with respect to the foreign investor's actions) and investments made by the Russian business owner; 2) the compensation can be rejected if the foreign investor or its officials committed actions linked to financing of terrorism, extremist activity and proliferation of mass destruction weapons, if this served as the basis for administrative or criminal liability of the said persons.

Implications

- Generally, the law provides for a flexible mechanism for unilateral termination of the foreign investor's right to execute buyback call option agreements given rather broad grounds for initiating such claims.

- It assigns both Russian business owners and the regulators extremely broad rights to initiate termination of call option agreements, even in the absence of any actions of the foreign investors to execute their call option rights. Thus, it may be used for political or economic reasons.

For a consultation on these matters, please contact Evgeny Roshkov, Partner, at e.roshkov@kesarev.com

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