



Topic of the issue:

Legislative restrictions on companies owned by russian citizens or legal entities

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In Ukraine, there are a number of companies where russian citizens or legal entities are shareholders or beneficiaries. However, not all of them are actually controlled by russian businesses and oligarchs — some international companies have historically structured their ownership with russian companies in the chain acting as shareholders of Ukrainian subsidiaries.

Is the risk of nationalization relevant for such companies and are there any other restrictions over their activity? Read the answers to these and other common questions in our legal alert.

Note:

This publication is not a legal advice and provides only general information about the most important legislation changes in Ukraine. In order to avoid any risks prior to making any decisions related to information contained in this publication, please seek the legal advice.

What companies are affected by nationalization?

[The Law of Ukraine "On Basic Principles of Forced Expropriation of Property of the Russian Federation and Its Residents" No. 2116-IX](#) establishes the following mechanism for the nationalization of the property of the Russian Federation in Ukraine:

- **nationalization is carried out without compensation;**

- **the procedure consists of the following stages:**

1.

submission of a draft decision with a list of objects by the Cabinet of Ministers of Ukraine to the National Security and Defence Council;

2.

adoption of the decision by the National Security and Defence Council;

3.

its implementation by a decree of the President of Ukraine;

- **nationalization applies to the property of the Russian Federation and its residents** (Ukrainian legal entities with direct or indirect participation of the Russian Federation).

❗ Currently, Ukrainian legal entities & assets controlled by private Russian & international companies & individuals are not affected by the Law. But due to the proposed changes the National Security and Defense Council or the court may be granted the right to nationalize privately held assets, including those, belonging to international corporations [controlled by both domestic and / or international UBOs or companies] that (i) support aggression of Russian Federation AND (ii) did not stop their activities in Russian Federation. Hence even companies with no direct nexus to Russia may further face the nationalization risk.



Are the activities of the Ukrainian companies limited?

YES, the legislation currently provides for the following restrictions relevant to the Ukrainian legal entities:



Moratorium on fulfilment of obligations¹, before the Ukrainian legal entities with the Russian Federation, citizens of the Russian Federation, or legal entities established under the laws of the Russian Federation acting as ultimate beneficial owners or shareholders holding ≥10% of the charter capital ("Ukrainian legal entities related to the Russian Federation")².



Prohibition to conduct notarial actions⁴ at the request of the Ukrainian legal entities related to the Russian Federation.



Moratorium on the alienation (or actions that may result in the alienation)³ of real estate, securities, shares, vehicles, aircraft, and ships by the Ukrainian legal entities related to the Russian Federation or to such persons.



Prohibition of foreign exchange transactions⁵

- with Russian and Belarusian rubles,
- with any individuals/legal entities residing/registered in the Russian Federation or the Republic of Belarus,
- for the fulfilment of the obligations before individuals/legal entities residing/registered in the Russian Federation or the Republic of Belarus.

1. [*Resolution of the Cabinet of Ministers of Ukraine «On Protection of the National Interests on Ukraine in Future Claims related to the Military Aggression of the Russian Federation» No. 187 as of 03 March 2022*](#)

2. Contrary to the current nationalization rules, all prohibitions are applicable not only to the companies controlled by the Russian Federation, but to private owned companies as well.

3. [*Resolution of the Cabinet of Ministers of Ukraine «On Protection of the National Interests on Ukraine in Future Claims related to the Military Aggression of the Russian Federation» No. 187 as of 03 March 2022.*](#)

4. [*Resolution of the Cabinet of Ministers of Ukraine «On Certain Matters of the State Registration Under Martial Law» No. 164 as of 28 February 2022*](#)

5. [*Resolution of the National Bank of Ukraine «On Amending the Resolution of the National Bank of Ukraine «On the Operation of the Banking System Under Martial Law» No. 18 Dated 24 February 2022» No. 21 as of 24 February 2022*](#)

Is it possible to change the ownership structure?

NO, a change in the ownership structure is not possible given the moratorium on alienation (in particular, future alienation) and any actions that may result in the alienation of shares imposed on the Russian Federation and legal entities that are residents of the Russian Federation⁶.

Moreover, there are several technical limitations, namely:

- The Ministry of Justice has identified **the limited list of allowed registration actions** not including change of the shareholders or the beneficiaries (registration of charitable and public organizations and limited liability companies, change of the director and the address).

Thus, it is impossible to change the shareholders or beneficiaries.

- Placement, turnover, and redemption of securities, as well as operations in the depository system, **have been temporarily** suspended (with some exceptions, in particular, for government securities). This means that the transfer of the title to the shares is also blocked⁷.

We keep monitoring the developments and will immediately update you on the changes.

6. [*Resolution of the Cabinet of Ministers of Ukraine «On Protection of the National Interests on Ukraine in Future Claims related to the Military Aggression of the Russian Federation» No. 187 as of 03 March 2022*](#)

7. [*Decision of the National Securities and Stock Market Commission No. 136 as of 24 February 2022*](#)