The Russian Government has enacted a regime of moratorium on insolvency filings of certain debtors pursuant to the law on bankruptcy moratorium which came in force last week.

Below we summarise the key provisions of the regime.

This publication is relevant as of its date. Please note that the situation is evolving very rapidly and we cannot guarantee that the publication is still up-to-date as at the time of reading.

1 Scope of moratorium

- The Russian Government has enacted six-month moratorium (can be rolled-over by the Government if necessary).

- The Government specified systemic entities and entities of strategic importance which are affected by the moratorium (list currently includes, amongst others, Transneft, Rosneft, Tatneft, Gazprom, NOVATEK, Inter RAO, Bank VTB and Yandex).

Legal entities carrying out the following types of economic activities shall be affected by the moratorium too: air transportation, motor transportation, tourist services, sport, hotel services, etc.

2 What does the moratorium mean for creditors?

- If a creditor files a bankruptcy petition against the affected debtor during the moratorium (or if before the moratorium was enacted the court had not considered a bankruptcy petition), the court will disregard such a petition.

- During the moratorium, creditors have limited powers to enforce their debt against the affected debtors, including no enforcement over pledged assets (whether in-court or out-of-court), current execution proceedings on pecuniary claims will be suspended, and no set-off where it breaches the priority of creditors’ claims.

However, the law does not preclude a creditor suing the debtor in court during the moratorium period and submitting the writ of execution directly to a bank which services the accounts of the debtor for debiting of funds (which the bank would likely be obliged to debit). It remains open whether such recovery is
supported by the courts or the courts treat it as contradicting to the spirit of the law.

3 **What does the moratorium mean for debtors?**

> The obligations of an insolvent debtor to file for bankruptcy will be postponed during the moratorium period. The debtor retains a right to file for its bankruptcy.

> If bankruptcy proceedings are commenced within three months after the expiry of the moratorium period, any foreign currency-nominated debt (which incurred before the moratorium) is converted into roubles at the Russian Central Bank’s exchange rate as of the date of the moratorium enactment or the date of bankruptcy proceedings commencement (whichever exchange rate is smaller).

> Financial sanctions (fines, default interest, etc.) will not accrue over affected debtors during the moratorium period.

4 **What does the moratorium mean for the debtor’s counterparties?**

> If the bankruptcy proceedings are commenced within three months after the expiry of the moratorium period, certain transactions entered into by the debtor during the moratorium period may be set aside where: (i) the amount of a transaction exceeds 1% of the debtor’s assets and (ii) such transaction do not fall within the debtor’s ordinary course of business.