

# HR & Tax Alert


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## Amendments to the Russian Currency Law – Individual Aspect

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### Executive Summary

As of 26 July 2006 significant changes were made to the currency control legislation with effect from 1 July 2006. The law is in line with the Russian government's movement towards accelerated liberalisation of the foreign exchange control regime, and most of the changes are those which were initially scheduled to come into force from 1 January 2007.

### Abolition of Requirement to Place Money on Deposit

One of the most important changes introduced is the abolition of the requirement to place money on deposit which previously could be imposed by the Central Bank or the Government in respect of certain currency operations. In particular this requirement could have affected individuals with investments in foreign securities in amounts exceeding US\$150,000 per annum and loans between a resident and a non-resident. According to the amended law, after 1 July 2006 such operations could only be subject to a requirement to use a special account. However as a

ruling previously passed removed the requirement to use a special account when conducting such operations, they will now be carried out without any restrictions.

### Changes from 1 January 2007

When the currency law was first introduced in December 2003, it was envisaged that most of the currency control restrictions would be removed from 1 January 2007 or when a provision of that law becomes inoperative. In particular, from 1 January 2007, the US\$150,000 restriction on transactions with foreign securities by Russian residents and the concept of a requirement to use special accounts will be abolished. Additionally preliminary registration of accounts in banks in non-FATF (Financial Action Task Force) and non-OECD (Organisation for Economic Cooperation and Development) countries will not apply any more and these accounts will be subject to the same notification requirements as are currently imposed in respect of accounts in FATF and OECD countries.

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