



Russia's war in Ukraine:
a review of legal acts relevant to business

February 2024

Russia's war in Ukraine has prompted an unprecedented response from countries around the world - economic sanctions and other restrictive measures against Russian and Belarusian entities. The impact of such sanctions is also felt by Lithuanian companies that have businesses or other business relationships in those countries. These companies now face various legal issues, such as termination of business or transfer of operations, performance of contracts, etc., therefore, this newsletter will help you keep track of business-relevant legislation and its amendments in Europe, Lithuania, Ukraine, Russia and Belarus.

In Ukraine

- Ukraine is actively gearing up for the imminent post-war reconstruction in order to restore the infrastructure destroyed by hostilities:
- The Ukrainian Government has consistently voiced its commitment to ramping up efforts in the realm of public-private partnerships (PPP), recognizing this collaborative approach as an effective tool in the post-war reconstruction process. There are imminent expectations for the Parliament's adoption of Draft [Law](#) No 7508 to simplify and enhance the PPP procedures:
 - the Government proposes to introduce the concept of a donor into legislation – an entity providing a grant directly. Donors may include the EU, foreign states, international organizations, foreign municipalities and other institutions and organizations;
 - the Draft Law proposes to enhance the support mechanism pursuant to which the public partner would be able to provide backing to the private partner through the assurance of payment for goods or services essential for project execution;

- a pivotal innovation is the introduction of the concept of a “small” PPP project, which is set to undergo a simplified preparation procedure. It is planned that a project will be considered “small” if its expected value is less than EUR 5,382,000. The simplification entails the elimination of the requirement for the preparation of technical and economic justification for projects, as well as a reduction in the decision-making period for implementing PPP and preparing for the tender;
- the proposed legislation outlines a specialized procedure for the preparation, selection, and conduct of a tender to identify a private partner for the construction or reconstruction of the destroyed or damaged infrastructure of Ukraine. These projects will be formulated and executed at the state and local levels. Model sets of competition documentation, estimated budgets and other templates will be prepared for such projects. This special procedure is planned for implementation only for a limited period - during the martial law and five years after its conclusion;
- the introduction of a unified digital system for conducting tenders to select private partners is envisaged. The Ministry of Economy of Ukraine is already developing such an electronic system and plans to launch it in 2025.

- Special regime for significant investment projects in Ukraine:

- On 9 August 2023, the Ukrainian Parliament adopted important amendments to the Significant Investments [Law](#). The Law is expected to have a considerable role for the future rebuilding and the private sector participating in it. The Law states:
 - UkraineInvest, a Ukrainian investment promotion office, has been determined as the authority responsible for support to significant investors, ensuring information access, smooth processing of documents, exchange of documents with the state and municipal authorities, etc.;

- EUR 12 million + support can be obtained by local or foreign investors, as well as Ukrainian companies incorporated by foreign investor(s);
- broad range of investment areas: (*i*) processing industry, (*ii*) biogas and biomethane production, (*iii*) arts, (*iv*) culture, (*v*) transport, (*vi*) logistics, (*vii*) warehousing etc.;
- investment objects: (*i*) fixed assets (except for intangible assets) that are built, modernized, technically and/or technologically rearranged, (*ii*) engineering and transport infrastructure facilities which have been constructed or are under construction or the construction of which has been or is being financed by an investor;
- the basic terms of the special investment agreement are as follows: (*i*) the maximum term - 15 years, (*ii*) the governing law - Ukrainian or any other law, (*iii*) the dispute resolution - judicial or arbitration, (*iv*) an investor is entitled to recover its losses (except for loss of profit) in case the state is not able to ensure investors rights.

EU response

- EU agreement on aid to Ukraine reached:
 - On 1 February 2024, the President of the European Council, Charles Michel, announced that all 27 EU leaders had succeeded in reaching an agreement on the financing of Ukraine. Kyiv secures EUR 50 billion in funding for the next four years.
 - The agreement has been reached after a small group of EU leaders persuaded Hungarian Prime Minister Viktor Orban to drop his veto on the Ukraine funding package.

- The EU adopted the 13th package of sanctions against Russia:
- The Council adopted the 13th package of sanctions against Russia on February 23, 2024. The purpose of these sanctions is to impose additional import and export bans on Russia and to limit Russia's access to military technologies. Key elements of the 13th sanctions package include:
 - The list of sanctioned entities is supplemented by 194 new entries, comprising 106 persons and 88 entities. This addition brings the total number of those listed in the EU to over 2,000. These measures specifically target Russia's military and defense sector: the new lists include more than 140 companies and individuals belonging to Russia's military industrial complex, which manufactures, among other things, missiles and drones.
 - Steps are being taken to prevent Russia from acquiring Western higher-risk technologies for its military needs. This sanctions package lists specific companies that supply Russia with key drone components and imposes certain sectoral sanctions to close loopholes and complicate drone warfare.
 - The United Kingdom is added to the list of partner countries for iron and steel imports. Partner countries apply restrictive and import control measures to the import of iron and steel, which are essentially equivalent to the analogous measures established in EU [Regulation](#) no. 833/2014."
- The full 13th sanctions package can be found [here](#).

- International Court of Justice rules on jurisdiction in the case of Ukraine v Russia:
 - On 2 February 2024, the Court of Justice (the ICJ) delivered its [decision](#) on jurisdiction in the case of Ukraine v. Russian Federation - Ukraine's application for a declaration that Russia is responsible for false accusations of genocide will be heard on the merits.
 - This decision also means that the ICJ's interim measures order of 16 March 2022, requiring Russia to immediately suspend any military actions against Ukraine, remains in force. The ongoing military aggression by Russia is a violation of the Court's order and shows Russia's contempt for international law and order. Such actions by Russia are already considered a violation of the international law, for which Russia will also be held responsible.

In Lithuania

- Start of changing of temporary residence permits of ukrainian war refugees in Lithuania:
 - After the European Union has decided to extend temporary protection for refugees from the war in Ukraine, starting from the 11th of December, the Migration Department starts the procedure for changing the digital temporary residence permits held by such foreigners.
 - Those who want to change them will first need to visit the Lithuanian migration information system MIGRIS www.migracija.lt, indicate their nationality in the section “For foreigners” and select “I am a person who has left Ukraine due to hostilities” and then “Apply for a renewal of a permit”.

- Foreigners will have to fill out applications, reserve an appointment date in the selected Migration service department, arrive in person at the scheduled appointment time and present a valid identity document.
 - The Migration Department points out that Ukrainian war refugees will be able to choose any Migration service department for appointments, regardless of their place of residence in Lithuania.
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In Russia

- Governmental control over IP transactions with foreign persons:
 - On 12 December 2023, a [Draft](#) Presidential Decree amending Presidential Decree No. 81 was adopted. The Draft extends the procedure established by Decree No. 81 for the approval of IP transactions concluded between Russian residents and foreign persons and persons they control:
 - the assignment of exclusive rights to results or means of intellectual activity;
 - the pledge of exclusive rights to results of intellectual activity or means of individualization.
 - Once the Draft is adopted, the conclusion and/or execution of IP transactions will require approval from the Government Commission for Control over Foreign Investments in Russia. Failure to obtain such approval may invalidate any IP transactions that are concluded. Once the Draft is adopted, the new restrictions will come into force from the date of its official publication.
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- Russian courts shift liability from foreign companies to their russian subsidiaries:
 - On 17 October 2023, the arbitration court of Moscow city sustained the claim by Russian bank Sovcombank against the US company Citibank N.A. and its Russian subsidiary JSC KB Citibank concerning the joint recovery of USD 24 million in losses. On 21 December 2023, the Russian appeals court [upheld the judgement](#).
 - After considering the case, the court ruled that Citibank had violated its obligation and abused its right since it had transferred money to a frozen account without trying to perform the obligation alternatively, i.e. it should be held liable for tort. The court also ruled that Citibank N.A. and JSC KB Citibank should be held jointly and severally liable as their joint actions caused damages to Sovcombank. The judgement states that both Citibank N.A. and JSC KB Citibank aimed to embezzle the money.
 - The Russian court ruled that even though the only party to the contract was Citibank N.A. and that Citibank N.A. and JSC KB Citibank are different legal entities, they should be jointly and severally liable since they constitute an economic group that acts as a single enterprise.
 - The same approach was taken in the recent [case](#) of Russian Railways v. Siemens.
 - This shows that Russian courts not only acknowledge that complying with anti-Russian sanctions should be considered as an abuse of rights and violation of the Russian public order per se, but also tend to hold Russian subsidiaries liable for the debts of their parent companies even though they are not parties to the disputed relationships.
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- Russian Supreme Court develops a case law on bankruptcy procedures and practices of foreign companies with “close connections” to Russia:
- The Russian Supreme Court has considered the Westwalk [case](#) and ruled that foreign companies can be legally recognized as bankrupt if there is a “close connection” to Russia. The Court's ruling in the Westwalk case summarised the practice of the lower courts and resolved important practical issues.
- The decision states that foreign companies with close connections to Russia may be declared bankrupt in the following cases:
 - the management body, branch or representative office of the foreign company is located on Russian territory;
 - the company has permanent economic activities in Russia that are oriented towards Russian individuals, including owning property and concluding transactions in Russia;
 - the centre of the main interests of the controlling entities is located on Russian territory;
- The judgment also refers to assets that may be covered by bankruptcy:
 - if the centre of the debtor's main interests is located in Russia, the foreigner may be subject to main proceedings with respect to all its assets abroad;

- if the centre of the debtor's main interests is located abroad, but there is a close connection to Russia, bankruptcy proceedings may only be initiated with respect to its Russian assets.
 - Thus, both Russian and foreign creditors can commence bankruptcy proceedings with respect to both offshore companies and legal entities that are registered and act abroad and have a close connection to Russia.
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