

New Draft Law Allows Foreign Bank Branches in Russia

On July 19, 2024, the Russian government introduced a draft law aiming to permit the establishment of branches of foreign banks in Russia. This law marks a significant shift from previous regulations, which only allowed foreign banks to operate through subsidiaries rather than branches.

The new draft law proposes that foreign banks can establish branches in Russia, offering them the ability to provide a wider range of services directly under the parent bank's brand and operational framework. The primary goal behind this legislative initiative is to ease sanctions concerning cross-border payments, aiming to bolster the financial infrastructure and resilience of the Russian economy.

The establishment of branches, as opposed to subsidiaries, would mean that these branches would operate as direct extensions of the parent banks, potentially providing more streamlined services and integrated global banking solutions. This change could facilitate increased cross-border financial activities and improve the accessibility of international banking services for Russian businesses and consumers.

The draft law includes specific requirements and regulatory measures to ensure that these foreign branches comply with Russian financial regulations and standards. This includes adherence to Russian banking laws, financial reporting, and consumer protection regulations.

The law passed the first reading at the Russian State Duma, and has already sparked discussions among stakeholders, including local banks, about its potential impact on the Russian banking landscape and the broader economy.

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