

Russian State Duma passes draft law to give sanctioned Russian entities rights to unilaterally change dispute resolution clauses

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On 24 July 2019, the Russian State Duma (the lower chamber of Parliament) passed at the first reading draft law No. 754380-7, which provides a number of remedies for sanctioned Russian entities, including a right to change dispute resolution agreements, including arbitration agreements, unilaterally.

The Russian State Duma (the lower chamber of Parliament) has passed [draft law No. 754380-7](#), entitled "On Amendments to Certain Legislative Acts of the Russian Federation in Order to Protect the Rights of Certain Categories of Physical and Legal Entities in Relation to Unfriendly Actions of United States of America and Other Foreign States" at the first reading.

The draft law introduces amendments to the Russian Commercial Procedure Code, Russian Civil Procedure Code and Federal Law N 127-FZ on Counter-Sanctions (dated 4 June 2018). Among other things, it grants Russian individuals and companies that are affected by foreign restrictive measures a right to unilaterally change dispute resolution clauses, including arbitration agreements, in favour of Russian state courts or arbitration in Russia. This will include clauses that were entered into prior to the adoption of the draft law. Moreover, the draft law grants Russian courts exclusive jurisdiction over the disputes involving sanctioned individuals and companies. It creates a mechanism under which a sanctioned Russian respondent may seek an order from a Russian court to terminate foreign proceedings against that respondent. Where such an order is not complied with by the foreign claimant, the Russian court may impose a fine on it in the amount of the claim.

According to the explanatory note, the draft law was introduced to protect the rights of sanctioned Russian entities in foreign courts from international organisations and from arbitral tribunals seated overseas. The provisions of the draft law would also be applicable to contracts that were concluded before the imposition of sanctions on a Russian party.

However, the State Duma Committee on State Construction and Legislation has opined that the provisions of the draft law regarding the right to change dispute resolution clauses unilaterally are doubtful in terms of international law.

Before the draft law can be adopted, it will need to be approved in second and third readings by the State Duma, approved by the Federation Council (the upper chamber of parliament) and signed by the President. The process is likely to take anywhere from three months to a couple of years.

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