

Russian investors await Western asset nationalisation wave

 intelligenceonline.com/international-dealmaking/2022/06/03/russian-investors-await-western-asset-nationalisation-wave,109789516-art

June 3, 2022

As the Russian parliament prepares the legal framework for nationalising foreign-held assets in Russia, the regulatory authorities are also taking steps to bring critical industries back under the Kremlin's control.

Issue dated 03/06/2022 Reading time 2 minutes

Business opportunities look set to be plentiful for Kremlin insiders when legislation comes into force authorising Russian entities to administer the assets of foreign companies that have left the country since Russia's 24 February invasion of Ukraine. Under the terms of a bill which passed its first reading in the Russian parliament on 24 May, any entity more than 25% foreign-owned can be placed under external administration and sold for a minimal or symbolic price. If there is no buyer, the controlling stakes of physical assets and intellectual property will be taken over by the Russian state.

Under the terms of the bill as it stands, several expropriation procedures will be possible at the federal and regional level, under the Russian development bank **VEB** or regional authorities. The legislation lays the groundwork for a major ownership overhaul in all spheres of Russia's industry and economy that is set to benefit a small elite in favour with the Kremlin.

First to lose out

One Russian businessman has already lost out. **Piotr Kondrashev**, targeted since last June in connection with the bankruptcy of the Perm bank **Ekoprombank**, recently lost control of his rare metals mining facility, **Solikamsk Magnesium Plant**, and its supplier **Lovozersky GOK**. The arbitration court in Perm and the federal competition regulatory authority, the **FAS**, ruled that the two entities had been illegally acquired during the 1990 privatisations and majority ownership of both was transferred to the state.

Among the motivations for the ruling, the FAS pointed out that it was illegal for foreign entities to possess companies in sectors critical to national security, an issue that has come to the fore, championed particularly by ex-president **Dmitri Medvedev** (IO, [03/05/22](#)), because of the war in Ukraine. Kondrashev, who lives in Austria, controlled the two companies, which are involved in the processing and storage of radioactive materials, since 1997 through a network of holding companies registered abroad. There is a rumour that the part-nationalised companies could be taken over by **Uranium One**, a

subsidiary of the nuclear conglomerate **Rosatom**, whose former managing director, **Sergey Kiryenko**, still unofficially in charge, is a rising figure in Moscow (IO, 09/05/22).

While the FAS began investigating the privatisations in 2014, the wheels of justice in Russia often being in synch with the political mood, it launched proceedings. Things have come to a head, just as the power balance between the political world and business in Russia is undergoing change as assets are restructured, Western companies are seized and individuals shift in and out of favour with the Kremlin.

Some Western companies, such as French automaker **Renault**, have already taken the initiative of pulling out of the country and negotiating the unfavourable terms directly with the Kremlin.