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## **COVID-19: what does the crisis mean for victims of fraud?**

The Russian government bans and restrictions aimed at preventing the spread of COVID-19 as well as the state aid to support the country's economy can have a significant impact on business. Below, we have put together a brief summary of current statutory and regulatory changes to help any interested parties factor in these emergent regulations into current business decisions. For convenience, acts and regulations referred to are hyperlinked to the source (in Russian) and highlighted in blue.

### **THE MOST CRITICAL PHASE OF THE CRISIS**

#### **Is there special legislation on the effects of the crisis on civil justice?**

The Government's reaction to the crisis did not go as far as legislative amendments to the rules of civil procedure. Reaction to this crisis mostly comes from within the judiciary as they have to adapt to the new environment.

Two 'Emergency Rulings' of the Presidium of the Supreme Court of 18 March and 8 April 2020 introduced [a special regime](#) for the Russian state courts from 19 March 2020 till (for now) 30 April 2020. Further amendments/extensions will likely follow, depending on the situation.

The judiciary is also impacted by the [Presidential Decrees](#) declaring holidays from 30 March to (for now) 30 April 2020.

#### **How the crisis affects court hearings?**

The Emergency Ruling from 8 April 2020 allows the courts to conduct court hearings only in urgent matters (for instance, application, extension, cancellation or replacement of measures of restraint; protection of life of a minor; interim relief measures etc) as well as writ and summary proceedings, and the matters that can be heard in absentia.

#### **Are deadlines of ongoing proceedings affected? Are limitation periods affected?**

Authoritative opinions have been voiced (e.g., in a Supreme Court letter) that in view of the holidays declared by the President till 30 April 2020 all deadlines ending within this period shall be deemed to end on the first working day after the quarantine. The period of such inevitable extension shall affect the overall period of trial. It has to be seen how the courts will implement these guidelines in practice. Currently the hearings in commercial cases are mostly adjourned till after the quarantine.

The limitation periods can arguably be affected by the same declaration of a holiday period by the President. If the last day of the deadline is not a working day, the period ends on the next working day (i.e. the first working day after the quarantine). That may be debatable, however, due to the peculiar nature of the current holidays. At any rate, the documents can be submitted within the original deadline by mail or on-line.

#### **Does the crisis have an effect on enforcement?**

Most enforcement procedures in Russia are ordinarily conducted in writing. While the bailiffs are trying to adjust to the current situation whenever they need to travel or get in contact with the debtors or creditors, we are unaware of any special legislation in this field related to the epidemic.

#### **How do courts work during the crisis? Can judges be contacted? Are documents served?**

Access to the court premises is limited to trial participants in the cases where hearings are conducted. Personal appointments and review of the case files are suspended (by way of experiment, some arbitration courts have arranged for remote access to the digital copies of case files, where available).

Documents are accepted by the courts only on-line and by mail.

#### **How do lawyers work during the crisis? How do banks work during the crisis?**

Companies and individuals in the private sector, including lawyers, banks etc, mostly work remotely and endeavor to maintain normal business hours and procedures, irrespective of the special holidays regime.

#### **Does the crisis have an effect on insolvency law?**

A moratorium on bankruptcy has been introduced for certain debtors to cushion the effects of the epidemic and the lockdowns.

On 1 April 2020, [Article 9.1 of Bankruptcy Law came into effect](#) that allowed the Russian Government to call a moratorium on initiation of bankruptcy proceedings against certain debtors. The period of the moratorium is established by the Russian Government and may be extended.

On 3 April 2020, [the Government of the Russian Federation put a 6-month moratorium on initiation of bankruptcy proceedings on the application of the creditors.](#)

The moratorium applies to the following debtors:

- [Organizations and entrepreneurs on the Government's list of sectors and areas of business](#) most affected by the deteriorating situation caused by COVID-19 and eligible for provision of first-priority targeted support.
- [Systemic organisations.](#)
- [Strategic enterprises and strategic joint stock companies.](#)
- [Strategic organizations and federal executive authorities](#) ensuring implementation of the unified state policy in economic sectors in which such organizations operate.

The moratorium has implications also for creditors and the tax authority:

- Impossibility to file a bankruptcy petition (petitions filed during the moratorium and those ~~filed before the moratorium but not accepted for hearing by the court shall be returned~~).
- Impossibility for the creditors to publish a notice of intention to file a bankruptcy petition with a court.
- The tax authority shall have the right to file a bankruptcy petition with a court not earlier than 15 days after the expiry of the moratorium.

During the moratorium, in all bankruptcy proceedings pursuant to the resolution of the bankruptcy administrator, the meetings of creditors, creditors' committee, construction participants and the meetings of employees or former employees of any debtor may be held by absentee voting.

## FORECAST: AFTER THE CRISIS AND LONG-TERM EFFECTS

### **Which measures introduced during the crisis will be withdrawn immediately?**

#### **Which measures will remain in place?**

Most of the measures introduced so far are temporary, but the effects of the bankruptcy moratorium and various support measures are designed to last after the crisis.

### **Will enforcement of economic crime, including corruption matters be weakened due to the lack of financial resources?**

Most authorities currently perform their functions, and at the moment it is difficult to project any negative impact on anti-corruption prosecutions or law enforcement at large.

### **Will the ratio of third party funded matter rise?**

It would be interesting to see how this crisis may impact third-party funding in the Russian dispute resolution market. It is not, however, apparent that the cultural and institutional barriers that limit recourse to third-party funding will be any lower after the crisis. It may be that the market will need to adapt and show more flexibility in view of the inevitable financial consequences of the current events.