

Russia Practice

July 2016

Nothing lasts forever: further amendment of the rules on interest calculation

Useful for CEOs, chief accountants, heads of legal departments.

A year ago, on 1 June 2015, amendments to the Civil Code of the Russian Federation (RF Civil Code) went into effect regarding statutory interest (Article 317.1 of the RF Civil Code) and new rules for calculating interest for the breach of a monetary obligation (Article 395 of the RF Civil Code). These amendments provoked mixed reactions from business and the legal community.

Statutory interest under Article 317.1 of the RF Civil Code, which was accrued automatically for the use of monetary funds without any late payment, caused a hostile reaction: the vast majority of companies voted against this norm, excluding it in their contracts.

Calculating interest under Article 395 of the RF Civil Code was made significantly more complicated: instead of the refinancing rate, average bank interest rates on individual deposits at the lender's location (published for nine federal districts) for the relevant periods have to be used.

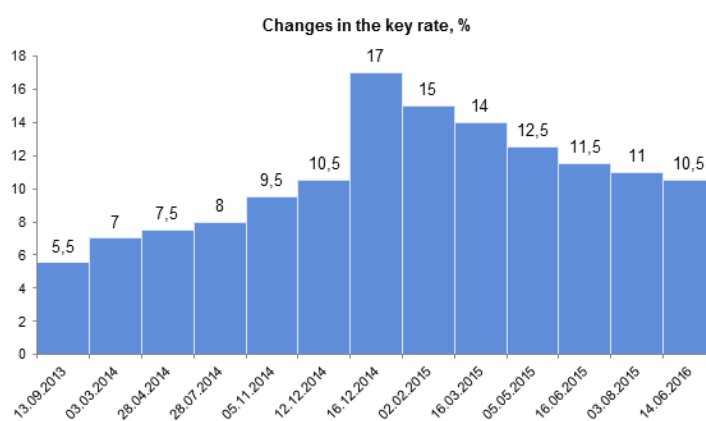
It would appear that these negative moods did not go unnoticed by the legislators. On 3 July 2016 a law was signed making more amendments to the RF Civil Code¹, which among other things concern interest. The new provisions will enter into force as of 1 August 2016.

Article 317.1 of the RF Civil Code only applies to the instances stipulated by the agreement or law; the automatic accrual of interest is ruled out. However, whereas previously the norm had only applied to commercial organisations, there is no limitation on the parties affected under the new version. Under Article 317.1 of the RF Civil Code interest will not be calculated at the refinancing rate (which is no longer established by the Bank of Russia), but instead at the key rate of the Bank of Russia, unless a different interest rate is stipulated by law or the agreement.

When calculating interest for the breach of a monetary obligation under Article 395 of the RF Civil Code, the key rate for the relevant time periods and not the deposit interest rate will also be used. If an offset penalty is established in the agreement for breach of the monetary obligation, as a general rule under Article 395 of the RF Civil Code interest is not collected (unless otherwise established by the agreement or by law)².

We endorse using the key rate when calculating interest, as it is the main indicator of the monetary policy of the Bank of Russia and reflects the current economic situation in Russia.

As of 14 June 2016 the key rate is equal to 10.5 per cent per annum (see also the diagram on changes in the key rate). The next meeting of the Board of Directors of the Bank of Russia, which will review the level of the key rate, is scheduled for 29 July 2016.



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¹ [Federal Law No. 315-FZ dated 3 July 2016](#) "On the Introduction of Amendments to Part One of the Civil Code of the Russian Federation and Certain Legislative Acts of the Russian Federation".

² Please see [Newsletter July 2016](#) regarding Judgment No. 7 of the Plenum of the Supreme Court.

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