

Legal Entities

On December 6, 2001 the Federal Law “On Amendments to Article 50 of Part 1 of the Civil Code of the Russian Federation in Connection with Adoption of the Federal Law “**On Business Partnerships**”, No. 393-FZ, was promulgated. The amendments which will go in effect as of July 1, 2012 introduce a new legal form for commercial organizations.

The Federal law “On Business Partnerships” of December 3, 2011, No. 380-FZ, defines the legal status of a business partnership, rights and obligations of its members, and formation, reorganization and dissolution procedures. This legal entity form may be chosen by organizations contemplating innovation activities (including *inter alia* venture operations).

A partnership may be formed by two or more persons. The maximum number of members is 50. Partnership members may be individuals and/or legal entities, however federal laws may impose restrictions or limitations on admission of certain categories of individuals or legal entities to partnerships.

Partnerships are registered in accordance with the procedure for registration of legal entities. The constitutive document of a partnership is its charter. At the time of formation a partnership management agreement must be signed and certified by a notary public who will subsequently keep it in his files. This agreement or any amendment thereto does not require state registration, and no information on the agreement or its provisions need to be entered in the Consolidated State Register of Legal Entities. This agreement must be signed by all members of the partnership and may also be signed by persons who are not members of the partnership. The agreement should define rights and obligations of members, including those concerning sale of shares, participation in management, withdrawal from the partnership, etc.

The Law expressly requires that partnership members shall not disclose any confidential information on the partnership’s operations. Some specific restrictions are imposed: a partnership may not issue bonds or other securities, advertise its business or be the founder (member) of legal entities other than unions or associations.

The partnership’s pooled capital is divided into shares. Members may contribute cash, securities, other things or property rights or other rights having a monetary value. A partnership is required to maintain its internal list of members indicating each member’s shares in the pooled capital and shares owned by the partnership itself.

A partnership is liable for its obligations by all its assets and is not liable for obligations of its members. Partnership’s agreements with its creditors, who are subjects of

entrepreneurial activities, may provide that the partnership's obligations to such creditors will terminate in full or in part upon occurrence of events stipulated in the agreement under which such obligations have accrued. In the event that the partnership has no assets or its assets are insufficient to discharge its obligations to creditors, execution will be levied on exclusive intellectual property rights owned by the partnership. Partnership's obligations to creditors may also be performed in full or in part by any member or members or all members of the partnership.

The Federal Law will go into effect as of July 1, 2012.

Investment Joint Ventures

On November 28, 2011 the Federal Law "On an Investment Joint Venture", No. 335-FZ, effective as of January 1, 2012, was adopted. The Law governs a simple partnership agreement for joint investment activities (investment joint venture agreement).

Under the agreement, two or more persons (co-venturers) undertake to unite their shares and carry on joint investment activities *without forming a legal entity* for gaining profit. Joint investment activities mean activities in connection with acquisition and/or disposal of stock (shares) or bonds of business entities or joint ventures, financial instruments under forward transactions or shares in the pooled capital of business partnerships, other than stock, shares, bonds or instruments circulated in an organized market.

An investment joint venture agreement must be made for a fixed term (which may not exceed 15 years) or for a particular purpose which must be stated in the agreement. Parties to the agreement may be commercial or non-commercial organizations (where permitted so by the Federal Law) or individual entrepreneurs. The maximum number of co-venturers is 50. The same person may participate in more than one joint venture at the same time.

The Law determines the terms that must be contained in the agreement, such as amount and composition of contributions, time and procedure for making them; amount of each co-venturer's share and procedure for alteration thereof; aggregate amount of contributions; liability for a breach of contribution obligations. Terms of the agreement may not be disclosed and are protected in accordance with the Federal Law "On Commercial Secret" of July 29, 2004, No. 98-FZ, except that material terms may be publicly disclosed with the mutual consent of all co-venturers. Any agreement on a silent investment joint venture will be void.

A managing co-venturer or co-venturers must be elected to manage general affairs of the joint venture. Rights and obligations of all co-venturers are set by the Law, although the agreement may stipulate other rights and obligations in addition to those.

An investment joint venture agreement, any amendments and annexes thereto and a power of attorney to manage general affairs must be certified by a notary public. One counterpart of the documents must be kept in files of a notary at the location of the authorized managing co-venturer.

In accordance with the Federal Law "On Amendments to Some Legal Acts of the Russian Federation in Connection with Adoption of the Federal Law "On an Investment Joint Venture" of November 28, 2011, No.336-FZ, the Russian Tax Code now contains a new Article 24.1 which

regulates a taxpayer's participation in an investment joint venture agreement. Each co-venturer is required to perform his payment obligations regarding profit tax and individual income tax that arise in connection with his participating in the agreement. The payments obligations regarding other taxes and duties arising in connection with the performance under the investment joint venture agreement are imposed on a managing co-venturer responsible for tax management. Such co-venturer must file with the tax authority a calculation of the investment joint venture's financial result made on a form approved by the Russian Ministry of Finance. He is also liable for tax violations in connection with the performance under the investment joint venture agreement. Relevant amendments have been made to the provisions of Tax Code regarding VAT, individual income tax, profit tax, and corporate property tax.

Construction

On November 28, 2011 the Federal Law "Amendments to the **Town-Planning Code** of the Russian Federation and Some Legal Acts of the Russian Federation" No. 337-FZ, was adopted. Now, the town-planning legislation also governs operation of buildings and structures.

As of April 1, 2012, capital construction project documentation and engineering survey findings used for such documentation may be examined by government or non-government experts. Legal entities performing non-government expert examination will need to be accredited and individual experts will need to be certified. Qualification requirements for experts are set. The procedure for maintenance of relevant registers is determined.

As of December 7, 2011, a construction contractor is required to deliver the project documentation and other documentation necessary for operation of the capital construction object to the developer upon completion of the construction. The Law determines timelines and procedure for delivery of a commissioning certificate to the construction surveillance authority. With regard to self-regulated organizations, their secondary liability has been replaced with joint liability for obligations of members of the self-regulated organization arising as a result of damage caused.

As of April 1, 2012, RF government authorities' powers in the field of town-planning will be broader and extend to government and non-government expert examination of project documentation, engineering survey findings, accreditation of legal entities seeking authorization for acting as non-government experts; procedure for and maintenance of the state register of accredited and certified persons.

As of January 1, 2013, new provisions of the Town-Planning Code will go into effect, which set forth requirements for operation of buildings and structures. In particular, for the purpose of ensuring safety of buildings and structures it is expressly required that maintenance, operation inspection and regular repairs of buildings and structures must be performed in the course of their operation. Persons responsible for the implementation of the above safety measures are determined. Obligations of a person responsible for operation of a building or structure are defined. Provisions on compensation for harm resulting from destruction of or damage to a capital construction object, construction safety requirements and operation safety requirements for buildings and structures will be amended as well.

On the same date amendments to the **Russian Civil Code**, in particular Article 64 thereof, regarding the priority order for creditors' claims upon dissolution of a legal entity will

be enacted: first priority will include *inter alia* claims for a compensation beyond compensation for harm resulting from destruction of or damage to a capital construction object or violation of construction safety requirements or operation safety requirements. Article 1064 of the Civil Code has been supplemented: the obligation to pay injured parties a compensation above compensation for harm may be imposed by law on a person who is not a harm-doer.

Anti-Money Laundering

The Federal Law “On Amendments to the Federal Law “On Counteraction of Legitimization (Money Laundering) of Proceeds of Crime and Financing of Terrorism” and to the Code of Administrative Offences of the Russian Federation, of November 8, 2011, No.308-FZ, has gone into effect as of November 22, 2011.

The Law specifies rights and obligations of organizations engaged in transactions involving money or other property. The terms “internal control organization” and “internal control maintenance” are defined. The latter means the implementation of internal control mechanisms and compliance with the requirements of law concerning identification of customers, their representatives, beneficiaries, keeping documentary records and submission thereof to an authorized body, safekeeping of documents and information, and personnel training. Obligations of organizations regarding the development of internal control mechanisms are set.

The Federal Service for Financial Monitoring is authorized by the Law to request additional information on customers’ transactions. Upon such request banks will be required to provide, among other things, information on cash flow on customers’ accounts. The scope and nature of additional information will be determined by the RF Government.

The period for giving notice of a controlled or suspicious transaction to the Federal Service for Financial Monitoring has been extended from 1 to 3 business days after such transaction is made (discovered). The Law also provides now that a real property transaction resulting in the transfer of title to such property is subject to mandatory control if the amount of such transaction is or exceeds 3 million rubles.

Amendments to the Code of Administrative Offences have been made with regard to types and amount of liability for non-compliance with the requirements of anti-money laundering legislation. Depending on the nature of a violation, it may be penalized by an administrative order to suspend business for up to 90 days or an administrative warning or a fine of up to 1,000,000 rubles or disqualification for a period up to 3 years.

Consumer Rights. List of Technically Sophisticated Goods

The RF Government Resolution “On Approval of the List of technically Sophisticated Goods” of November 10, 2011, No. 924, has been published. The Resolution substantially amends the list of technically sophisticated goods that are subject to specific provisions of the Law “On Protection of Consumer Rights”. In particular, technically sophisticated goods include: light motor vehicles, motorcycles, desktops or laptop computers, large appliances, TV sets, navigation and wireless communication devices with touchscreens and two or more functionalities. The previous list approved by the Government Resolution of May 13, 1997, No. N 575, is no longer in effect.

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