

Securities

Federal Law on Amendment of Certain Legislative Acts of the Russian Federation and Recognition as Lapsed of Certain Provisions of Legislative Acts of the Russian Federation, dated December 29, 2012, No. 282-FZ.

The Law is aimed at improving the regulation of relations connected with issuance of securities. In particular, small and venture issuers become exempt from state registration of the prospectus of securities being placed among qualified investors or a small number of individuals (up to 150), and also where the amount of money raised does not exceed 200 million rubles per year or each purchaser invests no less than 4 million rubles. Such securities may be admitted to organized trading.

The Law introduces measures for reducing the term of registration of securities and the issuer's relating expenses: the possibility of a preliminary consideration by the registering authority of the prospectus and documents without their approval by the issuer's authorized body; division of the prospectus into the main part and the additional part which are registered separately.

Issued securities may come into circulation right after the state registration of the issue or after the identification number assignment. However, the transfer of title to securities is prohibited until full payment for

them or until state registration of the issue report.

The Law makes more specific the procedures for notification of the Central Bank about the purchase of over 1% of the Bank's shares and obtainment of the Central Bank's prior consent to the purchase of over 20% of the Bank's shares.

Secured is the procedure for remedying violations committed during purchase and (or) receipt in trust of the shares of a credit organization.

Payment of the charter capital of a credit organization by offsetting claims for payment of declared dividend is now allowed.

Introduced is a state duty for preliminary consideration of documents required for registration of securities issue and for registration of the main part of the prospectus.

The Law came into force on January 2, 2013, except for certain provisions which will come into force later.

Informative Letter of the Federal Service for Financial Markets on Disclosure of Information Contained in the Notification of the Possibility to Exercise the Preemptive Right to Acquire Securities in Accordance with the Requirements of Russian Laws on Securities, dated January 24, 2012, No. 13-DP-03/1651.

The Letter informs that if the price of placement or the manner of its determination is not set forth in the resolution being the ground for placement by an open subscription of additional shares or securities convertible into shares, the preemptive right should be valid for at least 20 days from the date of sending (delivery) or publication of the notification, and if the information contained in the notification is disclosed in accordance with the requirements of law on securities – for at least eight business days from the date of disclosure. In such case the notification should indicate the time-term for payment of securities which should be at least five business days from the time of disclosure of information about the price of placement or the manner of its determination.

Information the issuer is obligated to disclose in accordance with the provision on disclosure of information and other regulations of the FSFM by way of its

publication in Internet should be accessible during the time set by those regulations. Since the time-term during which information contained in the notification of the possibility to exercise the preemptive right to purchase securities should be accessible in Internet is not established by the regulations, the FSFM recommends to ensure access during at least 12 months from the date of publication in Internet of the registered report on issue (additional issue) of securities or the notification of the issue results submitted to the registering authority. The term of validity of the preemptive right may be less than 20 days, but must not be less than 8 business days if the information contained in the notification of the possibility to exercise the preemptive right is disclosed in accordance with the requirements of the Regulation. The said 8-day term is to be calculated from the date of disclosure of information contained in the notification of the possibility to exercise the preemptive right in the news line.

Arbitration Process

Federal Law on Amendment of Articles 29 and 194 of the RF Code of Arbitration Procedure, dated December 30, 2012, No. 317-FZ.

The Law specifies what regulatory acts are challenged before arbitration courts – regulatory acts affecting the rights and lawful interests of the plaintiff in the sphere of entrepreneurial and other economic activity (previously arbitration courts dealt with claims challenging regulatory acts in definite spheres (taxation; currency regulation and

currency control; customs, anti-monopoly regulation; natural monopolies; banking, insurance, auditing, appraising; securities market, etc.) irrespective of whether the plaintiff was an organization, individual entrepreneur or citizen).

Arbitration court terminates the proceedings if there is an effective decision of another arbitration court or common court that upon a similar claim verified compliance of the challenged act with another regulatory act of greater legal force.

The Law comes into force from the date of its official promulgation. To date, the Law has not yet been promulgated.

Labor Law. Foreign Citizens.

Federal Law on Amendment of the Federal Law on the Legal Status of Foreign Citizens in the Russian Federation, dated December 30, 2012, No. 320-FZ.

Under the Law, a temporary residence permit may be in the form of a notation in the document identifying a foreigner and being recognized in Russia. It is allowed to receive a separate document the form of which is approved by the Federal Migration Service (the "Service").

An application for extension of the residence permit should be filed (including in an electronic form) with the territorial division of the Service at least 2 months before the expiration of the permit validity.

Temporary residents are exempt from the obligation to obtain work permits.

Consequently, permits for employment of temporary residents are no longer needed.

Documents required for the work of high-qualification foreign specialists may be filed electronically through common telecommunication networks, including Internet. In particular, through the unified portal of governmental and municipal services (however, while the said documents are considered by competent authorities, the applicant should also submit their paper original).

The Law will come into force from the date of its official promulgation. To date, the Law has not yet been promulgated.

Court Practice

Ruling of the RF Supreme Arbitration Court on Referral of a Case to the Presidium of the RF Supreme Arbitration Court, dated January 1, 2013, No. 14828/12

On January 9, 2013, the panel of judges of the SAC referred to the SAC Presidium the claim for recovery of real estate from another's unlawful possession at the purchaser – the offshore company. The panel of judges formulated its viewpoint as follows: in the consideration of the claim for recovery of real estate from another's unlawful possession the

burden of proving the presence or absence of circumstances protecting the offshore company as a independent entity in its relationship with third parties must be borne by the offshore company. The proving is done, first of all, by a disclosure of information about the company's ultimate beneficiary. Non-disclosure of such information leads to

denial of remedy, in other words, in particular, the court will not accept new evidence from

such company.

Regulation of the RF Constitutional Court on the Case Concerning Examination of Article 19.8(5) of the RF Code of Administrative Offences for Constitutionality on the Claim of Masliansky Khlebopriemny Punkt LLC (the “Company”), dated January 17, 2013, No. 1-P.

The Court examined the Code rule on liability for non-submission or untimely submission of information required by Russian anti-monopoly laws to anti-monopoly authorities (an administrative fine on individuals from 1,500 rubles to 2,500 rubles, on officers from 10,000 rubles to 15,000 rubles, on legal entities from 300,000 rubles to 500,000 rubles). The doubts as to the constitutionality of the rule arose because of the amount of the fine. The Company believes that Article 19.8(5) of the Code violates the principles of the punishment fairness, its individualization and proportionality because it introduces an administrative fine which is not differentiated depending on the legal entity’s property status and is considerable for a small enterprise. Besides, the rule offers no opportunity for a reduction of the fine by an administrative body or a court and thus gives no chance for taking into consideration the nature of the administrative offence, extent

(value) of the damage and degree of the violator’s guilt.

The Court has found that the rule is unconstitutional to the extent where the considerable amount of a minimum fine does not allow ordering a fair and proportionate punishment in all cases. Therefore, in practice the statutory minimum fine might turn from the measure aimed at preventing violation of the law into the instrument of suppression of economic independence and initiative, excessive limitation of free entrepreneurship and the property right. Therefore, the Code of Administrative Offences should be amended.

Before introduction of amendments the amount of fine imposed on a legal entity for the violation in question may be reduced by anti-monopoly authorities or a court on the basis of the Constitutional Court’s viewpoint

Lawmaking

Draft Federal Law on Amendment of Certain Legislative Acts of the Russian Federation to the Extent of Counteraction to Illegal Financial Operations, No. 196666-6.

The Draft broadens the grounds for refusal of state registration of legal entities and individual entrepreneurs; establishes liability of persons controlling the debtor, top management and members of the liquidation commission of the debtor whose actions entailed bankruptcy; secures the obligation of a corporate tax payer to receive mail sent by tax authorities to its

address recorded in the Consolidated State Register of Legal Entities, which would prevent taxpayers from giving false addresses; grants investigation and search bodies the right of access to information containing a bank secret (upon a court order).

The Draft also establishes criminal liability for illegal importation/exportation across the Customs Union border of money in rubles and

(or) foreign currency, as well as traveler's checks or external or internal securities.

Tax Law. Good Faith of Counterparts

Letter of the RF Federal Tax Service on Consideration of an Application, dated October 17, 2012, No. AS-4-2/17710.

The Letter notifies that the Tax Code does not obligate tax authorities to provide taxpayers, on their request, with information about performance by their counterparts of obligations stipulated by tax law or about any violation by them of tax law. However, a feed back from tax authorities that the counterpart submitted a tax declaration, including a non-zero one, cannot serve as a confirmation of the counterpart's reliability, because veracity of accounts and reality of the counterpart's financial and economic operations can be confirmed exclusively after a field tax inspection.

The fact of a breach by the taxpayer's counterpart of its tax responsibilities is not by itself a proof of the taxpayer's unjustified tax benefit. Tax benefit may be regarded as unjustified if the tax authority proves that

the taxpayer acted without due prudence and caution, and that it should have been aware of the violations committed by the counterpart.

It is also noted that the official Internet site of the FTS contains information about the ways of carrying out financial and economic activity with a high degree of risk, as well as addresses recorded at the time of registration as the place of location of several legal entities (the so-called "mass" registration which, as a rule, is characteristic of "one-day companies"), and the names of legal entities that have disqualified persons in their executive bodies.

Verification of this information may serve as evidence, inter alia, of due prudence.

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Znamenka 13, bldg. 3, 3rd floor, Moscow, 119019, Russia.
Tel.: +7 (495) 933-75-67, 691-98-13, 697-48-31, 697-63-94.
Mobile: +7 (495) 999-63-85. Fax: +7 (495) 697-92-26.
E-mails: darian@agp.ru, office@agp.ru.
Internet: <http://www.agp.ru>.