

Insight

24 March – 13 April 2014

Russian Legislation Update

Banking

On 5 December 2013 the Bank of Russia issued Instructions No. 147-I “On the Procedure for Inspecting Credit Organizations (Their Branches) by Authorized Representatives of the Bank of Russia”.

The Instructions were registered with the Ministry of Justice on 21 February 2014.

Instructions No. 147-I represent an updated version of the 2003 Instructions No. 105-I. They provide, among other things, for the procedures concerning submission by an inspected bank of documents in electronic form, and also provide for the possibility to obtain information from other banks that are not clients or correspondents of the bank under inspection (to verify data obtained from such bank). The bank’s manager is to provide an inspection acknowledgment to the board of directors no later than 10 business days after its examination (as opposed to 15 days before).

The Instructions will enter into force on 24 March 2014.

On 25 February 2014 the Bank of Russia issued Instructions No. 149-I “On the Organization of Inspections by the Bank of Russia”.

Instructions No. 149-I represent an updated version of Instructions No. 108-I. They provide, among other things, that specialized inspections (i.e. inspections with respect to a particular area of a bank’s business – compliance with the mandatory provisions requirements, asset compliance, cash operations, and operations with forex cash and checks) are to be conducted within up to 20 business days. They also expand the list of grounds for conducting unscheduled inspections by adding “changes in the business prospects” of the bank, including its exposure to risks and control quality.

The Instructions entered into force on 24 March 2014.



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Anti-Money Laundering

On 21 January 2014 the Bank of Russia issued Directive No. 3179-U amending Regulations No. 262-P “On Identification by Credit Organizations of Clients and Beneficiaries to Combat Money Laundering [...]”

The Directive was registered with the Ministry of Justice on 11 March 2014.

The Directive expands the list of data to be obtained by banks to identify their clients (legal entities) by adding data on operations planned to be performed through a bank account, on the client's financial standing and business reputation.

The Directive entered into force on 30 March 2014.

On 31 January 2014 the Bank of Russia issued Directive No. 3186-U amending Regulations No. 375-P “On Requirements to the Rules of Internal Control of a Credit Organization to Combat Money Laundering [...]”

The Directive was registered with the Ministry of Justice on 6 March 2014.

The Directive expands the scope of issues that need to be addressed by the bank's rules of internal control, in particular – the procedure for identifying clients' beneficial owners and the procedures for freezing (blocking) clients' funds. It also describes factors to be taken into account by banks when deciding whether to refuse to open a bank account or conduct a client's operation (if they suspect that the account/ the operation is intended for money laundering purposes).

The Directive also extends the list of indicia of “unusual transactions” in order to detect operations that may be suspected of pursuing money laundering purposes (with due regard for the nature of the client's business). For example, the list was supplemented with the following indicia: (i) an operation is made for a large amount by a high-level public official; (ii) a client, its founder or beneficial owner is registered in an offshore zone; (iii) a loan is granted or repaid whereby an interest rate is lower than the CBR refinancing rate; (iv) a resident provides a loan or advance under a foreign trade contract to a non-resident who previously failed to perform its obligations to the resident; (v) transfer of funds by a resident to a non-resident based on a transaction related to the rendering of services.

Finally, the Directive provides that banks are obliged to bring their rules of internal control into compliance with the amendments to the Anti-Money Laundering Law and the requirements of anti-money laundering regulations no later than 3 months after their entry into force (unless the relevant amendments/ regulations provide for otherwise).

The Regulations entered into force on 31 March 2014.

Environmental

On 2 April 2013 the Government issued Decree No. 504-r approving the Plan to Reduce the Dumping of Greenhouse Gases.

Pursuant to Russian Presidential Order No. 752 “On Reductions in the Dumping of Greenhouse Gases” dated 30 September 2013, the Government was instructed to have of GHG dumping at 75 percent of the 1990 level by 2020 (see our update for 16 September – 17 November 2013). The Decree approves a plan of essential measures to attain such target and a procedure for competent government authorities on the implementation of the Plan.

The Decree entered into force on 2 April 2014.