

Weekly Update on Russian Legislation

4 – 24 April 2011



Banking

On 5 April 2011, the Government and the Bank of Russia adopted the "Strategy for the Development of the Banking Sector of the Russian Federation for the Period until 2015".

The Strategy foresees the intensive development of the Russian banking sector, which will be marked by a high level of competition, a diversity of modern banking services, developed systems of corporate governance and risk management, and a high level of transparency of banks' businesses.

The Strategy lists a number of key activities aimed at the development of the banking sector, in particular:

- a decrease in state participation in the charter capitals of banks;
- the development of a modern financial infrastructure, including establishment of a comprehensive legal framework for the creation of a national payment system, and increase of the amount of cashless payments through introduction of a universal electronic card for individuals;
- an increase in the accessibility of banking services in the remote regions, in particular, through the establishment of the Postal Bank of Russia;
- the protection of the banks' interests, in particular, through the creation of a register of notices on pledges of movable property and through introducing irrevocable individual deposits;
- the development of modern information technologies for rendering banking services;
- an increase in the minimum charter capital of a newly established Russian bank (as of 1 January 2012) and net worth (capital) of an existing bank as of (of 1 January 2015) to RUB 300 million (approximately, USD 10 million); and
- a widening of the scope of tools available to banks to combat money laundering.

The Strategy also specifically lists a number of key areas aimed at the development of the banking regulation and supervision, in particular:

- an increase of banking supervision efficiency, including the development of supervision on a consolidated basis (with respect to banking groups), and through widening the scope of tools available to the Central Bank to address deficiencies in the banks' activities;
- an increase in the transparency of banking business; and
- gradual implementation of international standards for banking regulation contained in Basel II and Basel III with respect to the quality of capital, capital adequacy and liquidity (it is expected that Basel III will be fully

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implemented in Russia by 1 January 2019).

The Strategy is available at <http://minfin.ru/ru/>.

Real Estate

Territorial Planning

On 20 March 2011 the President signed Federal Law No. 41-FZ amending the Town-Planning Code and certain other legislative acts in relation to territorial planning.

Territorial Planning and Town-Planning Zoning

Effective as of 1 September 2011, the Law envisages the creation of the information system of territorial planning. The system will be available on the internet and will provide access to territorial planning documents of all levels (including their drafts) as well as materials on their substantiation. The Law also simplifies the requirements for territorial planning documents: it amends their contents, the procedure for their approval and implementation.

The Law postpones for a year – from 1 January 2012 to 31 December 2012 – the date of entry into force of a prohibition to (i) allocate land plots for construction purposes out of lands in state or municipal ownership, and issue construction permits in the absence of rules for land use and development; and (ii) reserve lands, withdraw them for state or municipal needs, change land category, develop documentation on planning of territories in the absence of territorial planning documents.

Planning of Territories

The Law grants individuals and legal entities with the right to develop documentation on planning of territories (i.e., territory planning drafts, land survey drafts, and town-planning schemes of land plots) at their expense (previously, only state and municipal authorities could do it). The contents of territory planning drafts have been amended to include zones of planned location of facilities of federal, regional and local levels. Furthermore, the Law abolishes the requirement to prepare town-planning schemes of land plots designated for (re)construction of linear infrastructure facilities.

The Law entered into force on 25 March 2011 (save for certain provisions that will enter into force on 1 September 2011).

Self-Regulation

On 24 March 2011, the Government adopted Resolution No. 207 approving minimal requirements to self-regulating organizations' issuing certificates of admission to work on especially hazardous and technically complicated capital construction facilities.

To perform works affecting the safety of especially hazardous and technically complicated capital construction facilities (e.g., airports, sea ports, electric power transmission lines) a legal entity must have a certificate of admission to the relevant type of works issued by a SRO. The Resolution now sets out new minimal requirements to applicants seeking to obtain such certificate (requirements established by a SRO cannot be less strict than the requirements approved by the Resolution). The requirements differ depending on the type of:

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- a capital construction facility in relation to which the works will be performed (namely, whether nuclear energy is used at such a facility or not); and
- works the applicant seeks to perform (e.g. carrying out engineering surveys, preparation of design documentation, (re)construction, overhaul repair).

In particular, the approved requirements relate to the applicant's (i) personnel (i.e., number of employees, level and type of employees' education and their work experience); (ii) property required for carrying out the relevant works; and (iii) documents (existence of the relevant licenses and permits).

The Resolution entered into force on 12 April 2011 and abolished Government Resolution No. 48, dated 3 February 2010, on the same matter.

Energy

On 29 March 2011 the Government issued Resolution No. 218 establishing new Rules for accessing trunk pipelines for the transportation of oil and petroleum products in Russia.

The Rules represent a slightly updated version of the existing procedure to ensure oil producers non-discriminatory access to the trunk pipelines, controlled by natural monopolies, for the transportation of oil (petroleum products). Access is granted on a basis of an agreement between the monopolies and the consumers. The amended Rules provide that in case of limited capacity of the pipeline network, oil (petroleum products) supply is to be assured on the domestic market first and only then for exports. In addition, the amended Rules allow the consumers to revise oil supply volumes envisaged upon the monopolies' consent and specifies a list of legal entities to which the consumers are allowed to transfer (assign) their access rights.

The Resolution entered into force on 29 April 2011 and invalidated a number of Government Resolutions on the same matter.

Subsoil

On 14 February 2011 the Ministry of Natural Resources and Ecology ("MNR") issued Order No. 33 amending the procedure for the use of state geological information on subsoil.

The Order was registered with the Ministry of Justice on 16 March 2011.

Payments for the use of geological information were cancelled starting from 1 January 2011. The Order amends the procedure for the use of state geological information on subsoil, approved by MNR Order No. 340, dated 12 December 2005. In addition, it specifies that subsoil users may submit the application for obtaining the above information not only to the Federal Agency for Subsoil Use ("Rosnedra") and its territorial bodies, but also to subordinate organizations (provided that an applicant is aware which organization disposes such information). The list of such organizations is available on Rosnedra's official website.

The Order entered into force on 29 April 2011.



Electricity

On 27 December 2010 the Government adopted Resolution No. 1172 approving the new Rules of the wholesale power (capacity) market.

The Rules represent an updated version of previously effective Rules approved by Government Resolution No. 643, dated 24 October 2003. They establish a legal framework for the functioning of the wholesale power (capacity) market including regulation of power (capacity) trade on the wholesale market in Russia starting from 1 January 2011.

The Resolution will enter into force on 13 April 2011 (except for certain provisions) and invalidate Government Resolution No. 643, dated 24 October 2003, on the same matter.

First Reading

Subsoil

On 25 March 2011 the State Duma adopted in the first reading Draft Law No. 500708-5 amending the Forest Code in relation to subsoil use in protected forests.

Currently placement of capital construction facilities, except linear facilities (e.g., pipelines) and hydrotechnical facilities, is prohibited in forests within water protection zones and highly-protected forests. Herewith, works on geological study and production of natural resources within specified categories of protected forests may be allowed. At the same time, mining excavations and drilling wells, necessary for conducting the respective subsoil works, are recognized as facilities of capital construction. For this purposes, the Draft Law seeks to allow placement of mining excavations and drilling wells in forests within water protection zones and highly-protected forests.

The provisions of the Draft Law will apply if adopted by the State Duma in three readings, approved by the Federation Council, signed by the President, and officially published.

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