

Insight

14 – 27 January 2013

Russian Legislation Update

Banking

On 29 December 2012 the Central Bank issued Letter No. 192-T “On Methodological Recommendations for the Implementation of the Internal Ratings-Based Approach to Credit Risks.”

The Letter recommends that banks start gradually implementing the internal ratings-based (IRB) approach envisaged in Basel II, with a view to switching to it over time from a standardized approach to risk weight currently provided for by Central Bank Instructions No. 139-I “On Mandatory Economic Ratios” (for details see our update for 24 December 2012 – 13 January 2013). It is recommended that banks using the IRB approach (as per the Letter) provide the Central Bank with quarterly data on risk weight as per such approach.

The Letter was published in the Central Bank Herald on 16 January 2013.

On 29 December 2012 the Central Bank issued Letter No. 193-T “On Methodological Recommendations for the Development by Lending Organizations of Recovery Plans.”

The Letter recommends that banks – primarily the largest ones – start developing recovery plans setting forth ways to restore their financial strength in various stress situations (the recommendations are based on ways to follow up on the “Key Attributes of Effective Resolution Regimes for Financial Institutions” developed by the Financial Stability Board and approved by the G20 leaders). The Letter recommends sending such plans to the Central Bank for assessment.

The Letter was published in the Central Bank Herald on 16 January 2013.



For more information, please contact:

Igor Ostapets

Partner

+ 7 495 787 3019

iostapets@whitecase.com

Irina Dmitrieva

Partner (Tax)

+ 7 495 787 3003

idmitrieva@whitecase.com

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White & Case LLC
Tel + 7 495 787 3000
Fax + 7 495 787 3001
whitecase.com

Subsoil Use

On 30 December 2012 the President signed Federal Law No. 323-FZ amending the Law “On Subsoil.”

Following the amendments, tenders for the right to use subsoil deposits of federal significance may only be held in the form of an auction.

The Law entered into force on 11 January 2013.

Energy

On 30 December 2012 the President signed Federal Law No. 287-FZ “On the Prevention and Amelioration of Oil Spills in Internal Sea Waters, Territorial Seas and the Continental Shelf of the Russian Federation.”

Pursuant to the Law, companies— specifically those using underwater pipelines, conducting drilling works for the purpose of subsoil use and transporting and storing oil and oil products within the internal sea waters, territorial seas and continental shelf of the Russian Federation,— are to have an approved plan for the prevention and amelioration of oil spills. Such companies are also to secure the performance of their financial obligations in the implementation of the measures envisaged in the plan (e.g., by means of a bank guarantee or an insurance contract).

The Law will enter into force on 1 July 2013.

On 30 December 2012 the President signed Federal Law No. 291-FZ on tariff regulation in the sphere of power, heat, gas, water supply and water disposal.

The purpose of the Law is to improve the mechanics of long-term tariff regulation in order to attract investments in the public utilities sector.

The Law in particular envisages a gradual transition, by 1 January 2016, to tariff regulation of the services of public utilities organizations on the basis of long-term parameters. Such parameters for tariff regulation in heat and water supply and water disposal are to be established for a term of at least five years or at least three years if such tariffs are established for the first time. In the sphere of gas and heat supply the parameters are to be established for a term of from three to five years.

In addition, the Law establishes a procedure for compensation to public utilities organizations of financial losses, including losses due to: (i) changes in long-term tariffs or long-term tariff regulation parameters; or (ii) establishment of long-term tariff regulation parameters different from those established by the relevant regional authority or agreed under a concession agreement. Such financial losses are subject to mandatory compensation from the regional treasury (except in the event of a significant economic downturn).

The Law will enter into force on 1 April 2013 (save for certain provisions).

Oil Export Duty

On 23 January 2013 the Government adopted Resolution No. 27 approving new export customs duty rates on crude oil and crude-oil products exported beyond the borders of the Russian Federation to countries outside the Customs Union.

The Resolution raises the rate of customs duty payable on crude oil and certain crude-oil products extracted from bituminous formations (TN VED 2709 00) exported outside the member countries of the Customs Union (i.e., Russia, Belarus, and Kazakhstan). The new rate is set at US\$403.3 per ton (the previous rate was US\$395.6 per ton).

The new rate applies as of 1 February 2013.