

Russian Legislation Update

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Real Estate

On 13 July 2015 the President signed Federal Law No. 218-FZ “On State Registration of Real Estate.”

The Law was adopted in order to simplify real estate and cadastral registration. It establishes a Unified State Real Estate Register, which will be maintained in electronic form and will include all information presently contained in the Unified State Register of Rights to Real Estate and Related Transactions, as well as the State Real Estate Cadaster. The Law defines, in particular:

- The composition, content and rules of management of the Unified Register, as well as the procedure for providing information from it;
- Documentation requirements for cadastral registration and/or registration of rights to property, as well as requirements relating to the submission of delimitation plans, inspection reports and technical plans;
- The grounds for refusal of cadastral registration or registration of rights to property;
- Certain particularities of preparing technical plans of the building, structure, premises, and those of an unfinished construction;
- Responsibilities in the implementation of cadastral and real estate registration, in the management of the Unified Register and in providing information from it.

As of 1 January 2017, the Unified State Real Estate Register will presumably include all information contained in the Unified State Register of Rights to Real Estate and Related Transactions, as well as the State Real Estate Cadaster. This information will not require further confirmation by real estate right holders.

The Law will enter into force on 1 January 2017, except for certain provisions.

Export Support

On 29 June 2015 the President signed Federal Law No. 185-FZ amending the Law “On the Bank for Development.”

The Law is aimed at improving the system of export support. According to the Law, export support is provided by Vnesheconombank (VEB), Export Insurance Agency of Russia (EXIAR), Russian Export-Import Bank and the newly established Russian Export Center.

The Russian Export Center will arrange for financial, insurance, guarantee and other export support. In particular, it will provide information and consultancy support to exporters, Russian investors investing abroad, their foreign counterparties, Russian and foreign banks and other organizations providing financial support to the above-mentioned entities.

In addition, the functions of VEB have been extended. In particular, VEB will participate (i) in the implementation of investment projects (including projects abroad) aimed at increasing competitiveness of the Russian economy and (ii) in providing financial and guarantee support for the sale of production made abroad, provided the share of Russian components in it is no less than 30 per cent of its net cost.

EXIAR's functions have been extended as well. Apart from providing insurance, EXIAR will secure the performance of foreign counterparties' obligations related to export and investments abroad, namely by providing guarantees and suretyships in relation to projects important to the Russian economy in general.

The Law entered into force on 30 June 2015.

Public-Private Partnership (PPP)

On 13 July 2015 the President signed Federal Law No. 224-FZ “On State and Municipal Public-Private Partnerships in the Russian Federation.”

The Law is aimed at attracting investments to Russia and ensuring the effective use of state and municipal property on the terms and conditions of state and municipal public-private partnership agreements (partnership agreements).

Pursuant to the Law, under a partnership agreement a Russian legal entity (private partner) undertakes to build and/or reconstruct at its own expense or with the use of borrowed funds, certain property which belongs to the Russian Federation, its territorial entities or municipalities (public partner) as well as to operate and/or provide technical maintenance of this property. The minimum duration of the agreement is three years. The Law establishes an exhaustive list of requirements to be met by the private partner.

The public party shall arrange for the transfer of title to the relevant property in favour of the private party, subject to certain requirements. In this context, a partnership agreement cannot be concluded in respect of the property that must remain exclusively in the ownership of state (municipal) entities and which cannot be alienated in favour of private entities. In fact, the Law establishes an exhaustive list of properties that can become the subject of partnership agreements (e.g., highways, transportation, ports, airports, healthcare and education related facilities).

The right to enter into a partnership agreement will be granted through tenders (closed or open). Closed tenders can be held in respect of property the details of which constitute a state secret. The Law specifies the procedure for holding tenders in relation to the right to enter into a partnership agreement. The Law also provides for the possibility of entering into a partnership agreement on the basis of a private partner's own initiative, in which case holding a tender will not be required if there are no other parties applying to participate in the tender.

The Law further defines the material terms of a partnership agreement, rights and obligations of its parties, guarantees of the private party's rights, as well as the procedure for the conclusion, performance and termination of the agreement. Pursuant to the Law, a public party has the right to control the implementation of the partnership agreement terms by the private party.

The Law will enter into force on 1 January 2016, with the exception of certain provisions.

We will prepare a more detailed update for this Law.

State Procurement

On 13 July 2015 the President signed Federal Law No. 227-FZ “On the Contractual System of Procurement of Goods, Works and Services for State and Municipal Needs.”

The relevant amendments establish a ban on procurement of goods, works and services for state and municipal needs from suppliers or contractors that are offshore companies (i.e. originating from states or territories that provide a system of preferential tax treatment and/or do not require disclosure of information on financial operations).

Competent commissions in charge of state procurement are required to verify compliance with these requirements. As of the date of entry into force of the relevant amendments, the electronic trading platform operator will cease accreditation of such entities as parties to procurement transactions.

The Law will enter into force on 13 August 2015.

Investment

On 16 July 2015 the Government adopted Resolution No. 708 “On Special Investment Contracts for Specific Industry Sectors.”

The Resolution establishes the procedure for concluding special investment contracts, and provides a relevant standard form for the contract. Under a special investment contract the investor builds up, upgrades or develops industrial production in Russia, while the state (i.e. the Russian Federation, its constituent entities or municipalities) undertakes to provide the investor with business incentives specified in the applicable law and to ensure a stable business environment.

The special investment contract is concluded on behalf of the Russian Federation by the Ministry of Industry and Trade or other duly authorized governmental entity for a period of time equivalent to the time it takes for the project to begin generating operational profits in accordance with the project’s business plan increased by 5 years (but a maximum of 10 years).

In order to conclude the contract, the investor must submit to the competent authority, among other things, copies of documents confirming a financial investment of no less than RUB 750 million in the project. The decision regarding the possibility (impossibility) to conclude the special investment contract on the terms set out by an investor is taken by a special commission composed of representatives from the Ministry of Industry and Trade, the Ministry of Economic Development, the Ministry of Finance, the Ministry of Energy as well as representatives of certain credit, public, scientific and industry-specific organizations.

The Resolution entered into force on 29 July 2015.

Currency Control

On 29 June 2015 the President signed Federal Law No. 181-FZ amending the Currency Control Law with respect to factoring.

The amendments will expand the list of permissible currency operations between Russian residents: residents will be allowed to perform currency operations under a factoring agreement, according to which one resident assigns to another (a factor) its monetary claims under a foreign trade contract with a non-resident. The repatriation duty of that resident will be considered as fulfilled if it ensures the timely receipt of the foreign trade proceeds by the factor.

The Law will enter into force on 28 December 2015.

Banking

On 23 June 2015 the Central Bank issued Letter No. 01-41-1/5328.

According to the Letter, a bank can decide to consider loans as restructured without worsening the assessment of the quality of debt service – with respect to loans restructured after 1 December 2014 (for example, as a result of changes in loan currency, loan maturity or interest rate).

The Letter is effective from 1 July to 30 September 2015.

On 23 June 2015 the Central Bank issued Letter No. 01-41-1/5330.

According to the Letter, a bank can decide not to worsen the assessment of a debtor's (counterparty's) financial position and/or quality of debt service if the payment arrears and/or deterioration of the debtor's (counterparty's) financial position are related to the establishment of restriction measures.

The Letter is effective from 1 July to 30 September 2015.

On 23 June 2015 the Central Bank issued Letter No. 01-41-1/5327.

According to the Letter, from 1 July until 1 October 2015 banks can include foreign currency operations recorded in the balance sheet and off-balance sheet accounts up to 31 December 2014 into the calculation of mandatory ratios on the basis of foreign currency/rouble exchange rate specified in the Letter.

The Letter was published in the Central Bank Herald on 30 June 2015.

On 19 May 2015 the Bank of Russia issued Directive No. 3639-U on the procedure for disclosing information about the qualification and work experience of bank managers.

The Directive was registered with the Ministry of Justice on 17 June 2015.

Banks are required to disclose on their websites information about the qualification and work experience of relevant persons, in a format prescribed by the Directive, no later than three business days after the day of their election/ appointment (this is relevant for members of the board of directors, persons holding positions of the sole executive body and his/her deputies, members of the management board, the chief accountant and his/her deputy, the head and chief accountant of a branch).

The Directive entered into force on 11 July 2015.

On 15 April 2015 the Bank of Russia issued Directive No. 3624-U “On the Requirements for the System of Risk and Capital Management in Credit Organizations and Banking Groups.”

The Directive was registered with the Ministry of Justice on 26 May 2015.

Banks are required to develop and implement internal procedures for the assessment of capital adequacy as per the requirements specified in the Directive. The Directive specifies, among other things, the particularities in developing internal procedures for banking groups, the requirements to be met by the bank's risk management department, the rules for the organization of stress testing, terms for preparing internal reports on significant risks and capital adequacy.

Banks whose assets amount to RUB 500 bln or more are required to bring their risk and capital management procedures in compliance with the requirements of the Directive until 31 December 2015 (on an individual level) and 31 December 2016 (on the banking group level).

For banks whose assets are below RUB 500 bln the deadlines are different: until 31 December 2016 and 31 December 2017, respectively.

The Directive entered into force on 26 June 2015.

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