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DOING BUSINESS IN RUSSIA

2025

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Overview

1. Geography

The Russian Federation stretches across Eurasia from Eastern Europe to the Pacific coast and is the largest country in the world in terms of territory.

2. Population

The population of the Russian Federation is approximately 146.1 million. Although about 80% of the country's population is ethnically Russian, the Russian Federation is a multinational state and is home to numerous ethnic minority groups, including sizeable Tatar (3.8%) and Ukrainian (2%) populations. Roughly 75% of the population lives in urban areas and 16 cities have a population of over one million. The largest city is Moscow, with a population of approximately 13.1 million, followed by St. Petersburg, with a population of approximately 5.6 million.

3. Political System

The Russian Federation is a federal republic consisting of constituent entities of six categories. All constituent entities, while subtly different in classification, are constitutionally defined as equal members of the federation. Republics (corresponding to the homelands of various ethnic groups) enjoy a certain degree of regional autonomy. The federation is further divided into oblasts (regions), an autonomous oblast (autonomous region), cities of federal significance and krais (territories) in which autonomous okrugs (autonomous districts, also delineated for various ethnic groups) are located. In 2000 Russia was further divided into seven federal super-districts (circuits) with the aim of ensuring federal supervision over regional affairs. In 2010, the number of federal super districts (circuits) was increased to eight.

Each constituent entity of the federation possesses its own charters, political institutions and local legislation. Approximately half of the constituent entities have signed bilateral treaties regulating the relationship between

the regional and federal legal systems. However, when conducting business transactions at the regional level, treaty stipulations should be carefully reviewed as they may assign slightly different rights and privileges to the constituent entity in question.

Constitutionally, the President of the Russian Federation is elected for a six-year term (which was extended from four to six years in 2008). Any given individual is limited to two terms. As a result of the constitutional reform in July 2020, this restriction applies to a person who held or holds the post of the President without taking into account the number of terms during which he or she held or holds this position at the time of entry into force of the amendments to the Constitution.

The President is vested with extensive powers, serving as the head of state, the commander-in-chief of the armed forces, and the highest executive authority of the federation. The office of the President also includes the powers of decree, legislative veto, and the power to appoint and dissolve the Government. The President is primarily responsible for domestic and foreign policy and represents Russia in international relations.

The Prime Minister oversees the activities of the government and serves as the acting President if the President becomes ill and is unable to carry out the functions of that office. The Prime Minister's authority as acting President expires upon the election of a new President, which would normally be three months after the former President's authority expired.

Since 2000, the country has undergone a number of sweeping political reforms aimed at centralizing power within the federal executive.

Legislative power is exercised by a bicameral Federal Assembly, which consists of the Federation Council (upper house) and the State Duma (lower house). Since January 2002 the Federation Council has consisted of two representatives (''senators'') from each federal constituent entity, one from the executive branch appointed by the regional governor, and one from the legislature nominated by the regional assembly. Since July 2020, the Federation Council also includes no more than 30 representatives

of the Russian Federation appointed by the President, of whom no more than seven may be appointed for life. A former President who completed his term or resigned also becomes a senator for life. The State Duma consists of 450 members elected nationwide under a mixed electoral system: 225 are elected by proportional representation based on party lists (proportional system), and another 225 are elected in single-member districts (majority system).To obtain seats in the Duma under the proportional system, parties have to overcome the 5% barrier, and for candidates in the districts it is enough to get a relative majority of votes.

The lowest governmental level in the Russian Federation is local self-government. Current law distinguishes between community-level government and the governments of towns and villages. However, the overall influence of local self-government depends on how much authority has been delegated to the local level by the regional government. Foreign investors should be aware of the position of local bodies in regions where they conduct business since these bodies may possess limited powers of taxation.

At the top of the Russian judicial system are two high courts: the Constitutional Court and Supreme Court. The Constitutional Court reviews constitutional disputes. The Supreme Court reviews civil, criminal, and administrative disputes involving private individuals, as well as commercial disputes and administrative disputes involving legal entities and individual entrepreneurs. Judges for all of these courts are appointed for life by the Federation Council on the recommendation of the President.

In July 2020 the Constitution was amended. The amendments, among other things, establish the priority of the Constitution over the requirements of international law – decisions of intergovernmental bodies, taken on the basis of international treaties of Russia, will not be enforceable in Russia if the Constitutional Court establishes that they contradict the Constitution. The amendments expand the powers of the President to exercise «general management» of the government's activities and dismiss the Prime Minister, to appoint and dismiss heads of federal executive bodies responsible for defense, state and public security, domestic and foreign affairs, justice and

the prevention of emergency situations, to appoint the Prosecutor General, his deputies and regional prosecutors, to propose to the Federation Council the termination of the powers of judges of the Constitutional Court, Supreme Court, and cassation and appeal courts.

According to the amendments, the Duma must approve the candidacy of the Prime Minister, deputy prime ministers and ministers (except for the ministers of defense and foreign affairs and top security officials).

The amendments reduced the number of judges of the Constitutional Court from 19 to 11. The Constitutional Court can review the constitutionality of laws on complaints of Russians only if «all other domestic remedies have been exhausted». Upon request of the President the court has jurisdiction to verify the constitutionality of draft federal laws prior to their signing by the President, and laws of constituent entities of the Russian Federation prior to their promulgation.

4. International Relations

At present, Russia's international relations with Western countries are strained.

After Crimea became part of Russia in 2014, the relations of the Russian Federation with Western countries deteriorated. Most Western countries imposed sanctions against the Russian Federation and certain sectors of the economy (financial and economic, infrastructure, transport, energy and other). As a retaliatory measure, the Russian Federation imposed a food embargo and restrictions on imports of some light industrial goods from the states that imposed sanctions against the Russian Federation.

In the following years, sanctions pressure on the Russian Federation increased. In February 2022, the Russian Federation started a special military operation in Ukraine. In September 2022, four regions of Ukraine were incorporated into the Russian Federation. These actions

entailed new unprecedented Western sanctions, including diplomatic, visa and logistics, among others. The participation of the Russian Federation and its officials in certain intergovernmental organizations and associations (the Council of Europe, the Coordinating Group of Developed Countries within the World Trade Organization and others) was suspended.

The Russian Federation retaliated with its own measures, imposing restrictions on dealings with states that carry out unfriendly actions against Russia, Russian legal entities and individuals. The list of unfriendly states includes EU countries, USA, Australia, UK, Canada, Singapore and other Western states. Russia reoriented its focus on relations with other states that did not impose sanctions against it. For more details, see Section 8 (''Sanctions''). Russia has deepened integration within the Eurasian Economic Union (EAEU) with Belarus, Kazakhstan and the Kyrgyz Republic in pursuit of greater cooperation aiming at improving competitiveness of the economies of EAEU Member States and living standards in member countries. The EAEU aims to ensure the freedom of movement of goods, services, capital and labor resources, and to become a platform for the implementation of joint infrastructure and investment projects.

Internationally, Russia continues to be a member of all bodies of the United Nations and retains a permanent seat on the Security Council with veto rights.

Russia has close ties with its neighbor and major trading partner – Belarus. In 1997 the two countries formed a supranational entity, the Union of the Russian Federation and the Republic of Belarus. After several years of inactivity, in 2021 discussions of potential further integration resumed.

5. Economy

Western sanctions have had a negative effect on the Russian economy:

the ruble has been falling against the dollar and euro, and GDP has declined. In 2022, the economy fell by 2.1% on the back of Western sanctions, import restrictions and the weaker ruble. The Russian Government has taken various measures to stabilize the economy and prevent capital outflow.For instance, in order to reduce the impact of the volatility of oil prices, the Russian government adopted a budget rule whereby all revenue earned above the budgeted price of U.S. $44.20 per barrel of Urals oil is diverted to a special National Fund as a cushion for potential economic shocks. In November 2022, the president approved a new version of the rule, which does not provide for the base price of Urals oil. At the same time, until the end of 2024, there is a restriction on sales of Russian oil to foreign legal entities and individuals if the contracts contain a price cap set by the US and a number of other countries.

In 2024, the Central Bank estimates that the economy grew by 3.5% and forecasts growth to continue at 0.5-1.5% in 2025.

Western sanctions, which prohibited loans to some of the major Russian companies, resulted in a major reduction of debts to foreign lenders.

Prior to 2022 the Russian Federation took steps to develop business and improve the investment climate, as well as improve its self-sufficiency in telecommunications, agriculture, food processing, pharmaceuticals and the power industry.

Western sanctions (the ban on imports of technological goods, microchips, military products, rejection of Russian energy resources) were designed to slow down Russia’s economic development.

The sanctions are aimed at the financial, energy and transport industries, the supply of goods, logistics, technologies and equipment. A number of large Russian banks have been disconnected from the

SWIFT payment system, the operation of MasterCard and Visa payment systems have been suspended. Many Western companies announced their exits from Russia and stopped new investments. The United States and some of its partners decided to terminate normal trade relations with Russia. The EU countries have imposed restrictions on the price of Russian oil.

In response to Western sanctions, Russia adopted a number of Presidential Decrees on special economic measures with regard to ‘‘unfriendly actions of foreign states’’. They concern currency regulation, corporate law, real estate and international commercial transactions. Dividend payments and loan repayments to persons from unfriendly states, as well as sale of Russian companies by owners from such states, were prohibited without a special government commission approval (for additional information see Sections 3 (‘‘Promoting Foreign Investment in Russia’’), 8 (‘‘Sanctions’’), 10 (‘‘Property Rights’’)). As one of the measures, the Russian authorities allowed parallel imports of goods from foreign states that have banned the export of goods to Russia - the importation of goods without the consent of the manufacturer or copyright holder (for additional information see Section 8 (‘‘Sanctions’’)).

2. Judicial System

2.1 What are the basic distinctions between courts in the Russian judicial system?

The Russian judicial system is composed of the Constitutional Court, the Supreme Court, courts of general jurisdiction, arbitrazh (state commercial) courts, and judges of the constituent entities.

The Constitutional Court addresses issues of constitutional compliance regarding federal and regional laws. Arbitrazh courts primarily resolve disputes arising from business activities involving legal entities, self-employed entrepreneurs and individuals in certain proceedings (bankruptcy, defamation, etc.). These courts also handle corporate conflicts and disputes involving state companies or public law entities. Other legal matters involving individuals are addressed by federal courts of general jurisdiction and magistrates at the regional level.

Legal representation in courts requires specific formalities, including the use of powers of attorney and the necessity for legal representatives to hold a law degree, except in trials considered by federal courts of general jurisdiction and judges of the constituent entities.

2.2 Does a claimant need to pay the state fee?

Court filings require payment of a state fee that depends on the amount of the dispute, with a maximum fee of 10 000 000 RUB (approximately 100,000 USD) for arbitrazh courts and 900 000 RUB (approximately 9,000 USD) for courts of general jurisdiction.

Filing certain motions and pleadings with courts also requires payment of the state fee (although in a smaller amount).

2.3 Does a Russian court have jurisdiction over foreign companies?

Russian courts may have jurisdiction over foreign respondents if the dispute is closely connected with the territory of Russia, e.g., if the respondent's assets are located in Russia, or the contract in question is performed in Russia, or the advertisement of goods and services targets Russian consumers, or damages were incurred in Russia (the list is not exhaustive). However, Russian courts should have no jurisdiction (even if such close connection exists) if the parties have entered into an agreement referring their disputes to a foreign court or arbitration.

In certain cases expressly provided for by Russian law, Russian courts have exclusive jurisdiction over foreign respondents irrespective of the parties' agreement. For example, disputes over state property, intellectual property registered in Russia, bankruptcy and corporate matters involving Russian entities fall within the exclusive jurisdiction of Russian courts. Likewise, with a few exceptions, disputes related to economic sanctions against Russian parties fall within the exclusive jurisdiction of Russian courts.

2.4 What are the stages for appealing court decisions?

Arbitrazh courts handle commercial disputes. These courts have four levels: trial courts, appellate courts, cassation courts, and supervisory court. A specialized branch, the Intellectual Property Court, deals with IP disputes and functions as both a trial and cassation court.

Arbitrazh courts are known for their relatively fast trial proceedings, usually concluding within six months, with extensions possible for complex cases. Appeals against trial court decisions must be filed within a month, focusing on errors in fact or law. Further the appeal courts resolutions must be filed within 2 months, focusing on errors in application of law only. The second cassation and the supervisory

stage are of a two-level approach. First, the appeals must pass a test for acceptance and then can be passed over to the panel of judges for review.

Courts of general jurisdiction are structured in a similar way, with some peculiarities like magistrate courts which resolve small claims, for example.

2.5 What are the peculiarities of the summary proceedings?

Summary arbitrazh proceedings are available for the disputes up to USD 12,000. Courts usually resolve disputes based on written evidence without conducting hearings or calling the parties. However, courts are entitled to set a court hearing if the judges find it necessary. A judgement in the summary proceeding is subject to immediate enforcement.

2.6 How is a judgment enforced?

The enforcement of court judgments is the responsibility of the court bailiff system. The process of enforcing a judgment is called enforcement proceedings. By and large, enforcement proceedings involve the search and seizure of the respondent's funds and other assets. If the seized funds are not sufficient to cover the judgment debt, but there are other assets available, such other assets may be put to sale and the proceeds of the sale should then be used to cover the remaining debt.

A foreign court judgment or arbitral award may be subject to enforcement proceedings only after passing a recognition and enforcement ('exequatur') proceeding in the Russian court.

2.7 What rules apply to international arbitration?

International arbitration offers an alternative to state arbitrazh courts for resolving international commercial disputes. Governed by the International Commercial Arbitration Law and based on the UNCITRAL Model Law, international arbitration is available for disputes arising from foreign trade and investment activities. However, certain disputes such as bankruptcy, administrative cases, and various corporate matters are non-arbitrable under Russian law. Arbitral institutions administering cases in Russia must be licensed, and they have special rules for certain types of claims.

There is no clear position among the Russian courts regarding the arbitrability of disputes related to economic sanctions against Russian parties. Arguably, such disputes are arbitrable. In practice, however, the Russian courts do not currently recognize arbitration agreements referring sanctions-related disputes to arbitration outside of Russia, particularly in "non-friendly" jurisdictions (countries that have introduced sanctions against Russian parties).

3. Promoting Foreign Investment in Russia

3.1 What is the legal framework for foreign investment?

The legal framework for foreign investment in Russia is established by the Constitution and the Civil Code, as well as laws on joint-stock and limited liability companies, securities markets, and foreign investments. The law "On Foreign Investments in the Russian Federation" guarantees foreign investors the right to invest and receive revenues and profits, and sets forth the general terms for foreign investors' business activities. However, certain exceptions and restrictions apply to protect the Russian constitutional system, the public interest, the health and rights of its citizens, and state security and defense.

3.2 What is the legal definition of a foreign investor?

A foreign investor is defined as a foreign entity not controlled by Russian entities or individuals, foreign individuals unless they are also Russian citizens, and foreign states and international organizations, as well as entities under their control. When it comes to some of the clearance requirements, this definition also includes Russian citizens that have dual citizenship, and Russian companies controlled by foreign investors. The Strategic Companies Law expands this definition to include Russian citizens with a residence permit or other valid document allowing permanent residence in a foreign country.

3.3 Does Russian law provide for a stabilization clause?

Yes, Russian law provides for stabilization clauses (Grandfather Clauses) under the Foreign Investments Law and other regulatory regimes. The Grandfather Clause under the Foreign Investments Law prohibits increasing certain federal taxes and applying prohibitions or limitations related to foreign investments for up to seven years. Other regulatory regimes, such as special investment contracts, investment protection and promotion agreements, and special economic zones,

also provide for stabilization clauses that protect investors from negative regulatory and tax changes, and may also entitle them to other benefits as detailed in section 4 below.

3.4 What are Russia's main stimulus measures to incentivize investments in major projects and innovations?

Russia offers a range of regulatory, tax and other incentives to incentivize investments, including:

Territories with special status

- Special economic zones (SEZs) and territories with similar status (such as the Arctic Zone of the Russian Federation and the Free Port of Vladivostok) with tax and customs benefits, simplified administrative procedures, and access to certain infrastructure

- Territories of advanced social and economic development (ADTs) – originally created in Russia's Far East and further expanded to other regions across Russia

- Skolkovo Innovation Center, Moscow International Medical Cluster (MIMC), Innovation Science and Technology Centers (ISTCs – also known as Russian Silicon Valleys) for R&D and technology development

Investment agreements with state and municipal authorities

- Investment Protection and Promotion Agreements (SZPKs) for regulatory stability, tax benefits, and subsidies

- Special Investment Contracts (SPICs) providing regulatory stabilization and possibly other benefits for high-end industrial manufacturing

- Concessions and public-private partnership agreements entitling private investors to profit from constructing (upgrading) and operating certain facilities of public importance (such as roads, airports, waste management facilities and other infrastructure, as well as certain IT services)

- Priority, Strategic, Special Importance and Large Scale Investment Projects for certain other benefits such as preferential access to land or regional benefits

- Regional Investment Projects (RIPs) for corporate profits tax benefits

Tax incentives and subsidies

- Tax benefits (such as investment tax credits) for specific industries such as IT, and for capital expenditures and R&D

- Subsidies for automakers, industrials, and manufacturers of priority products

Regulatory sandboxes

- Experimental legal regimes for digital innovations, exempting companies from certain laws and regulations (for instance, in connection with AI development)

Preferential public procurement

- Benefits for Russian-made goods, including a 15% price handicap and minimum share of procured goods with Russian origin

- Offset agreements whereby Russian regions guarantee offtake of the products to be manufactured at new production sites built by private investors

Special administrative areas (SARs)

- Redomiciliation to or re-incorporation in Russia of foreign companies, with tax benefits and a special regulatory regime

- International funds for nonprofit entities, with benefits similar to those for international companies

Governmental programs highlighting Russia's strategic development goals

- National development objectives through 2030, focusing on core sectors such as digital economy, healthcare, environment and infrastructure – many of which largely overlap with the UN sustainable development goals

- Governmental initiatives 2030, including technological breakthrough, digital transformation, and environmental programs

- National technological initiative 2035 (NTI) for leadership in disruptive technologies

3.5 What are the restrictions and limitations on foreign investment in Russia?

Foreign investors face restrictions when acquiring control over companies that are of strategic value to Russia, including those in banking, insurance, mass media, etc. Additionally, there are limitations on foreign investment in certain industries, such as land acquisition in border areas, seaports, and agricultural lands. The Government can also require foreign investors to obtain preliminary approval for transactions with regard to Russian companies on an ad hoc basis, if there are grounds to believe they can affect state defense and security (there is a statutory list of grounds – e.g., when a Russian company

is a city-formed organization, or it participates in national projects, or it has a dominant position in the relevant market, but this list is not exhaustive).

In addition, since 2022 Russia has introduced a number of counter-sanctions rules putting restrictions on the share transfers which involve foreign persons linked to the so-called "Unfriendly States" (including citizens of such states and entities registered therein) or persons controlled by such foreign persons.

3.6 What counter-sanctions restrictions apply to foreign investment in Russian companies?

The following transactions with foreign persons linked to the unfriendly states, save for certain exceptions, require obtaining preliminary approval from the Russian Government (Government Commission for Control over Foreign Investments – "**Government Commission**"):

- transactions (operations) entailing the establishment of ownership rights to securities (including shares in a Russian joint-stock company) and immovable property (according to Presidential Decree No. 81 dated 1 March 2022);

- transactions (operations) that directly or indirectly entail the establishment, change or termination of rights of possession, use and/or disposal of participation interests in the charter capital of a Russian limited liability company (except for credit institutions and non-credit financial institutions) or other rights allowing to determine the terms of management of such limited liability company and (or) the terms of its business activities (according to Presidential Decree No. 618 dated 8 September 2022); and

- transactions (operations) that directly or indirectly entail the establishment, change or termination of rights of possession, use and/or disposal of more than 1% of shares or participation interest in the

charter capital of a Russian credit institution, insurer, non-state pension fund, microfinance company or a management company of a joint stock investment fund, unit investment fund or non-state pension fund or of more than 1% of votes attributable to such shares or participation interest (according to Presidential Decree No. 737 dated 15 October 2022).

The restrictions under Presidential Decree No. 81 dated 1 March 2022 would also apply to sale by foreign persons not linked to the unfriendly states of the securities and the immovable property acquired after 22 February 2022 from the foreign persons linked to such Unfriendly States.

In addition, the foreign persons linked to the unfriendly states are prohibited from selling shares or otherwise disposing of their participation in Russian companies without the consent of the Russian President if:

- the transaction involves shares in certain Russian credit institutions, strategic companies, certain companies in the fuel and energy sector, users of subsoil or other natural resources (according to Presidential Decree No. 520 dated 5 August 2022); and

- the market value of the shares exceeds RUB 50 billion (according to Letter No. 05-06-09/BH-45106 published by the Ministry of Finance on 18 October 2024).

3.7 What restrictions apply to foreign investments in strategic companies?

Regardless of the counter-sanctions rules described in Section 3.6, foreign investors must obtain preliminary approval from the Government Commission and/or make a post-transaction notification to the Federal Anti-monopoly Service (FAS) when acquiring control over a Russian company engaged in strategic activities.

3.8 How is a strategic company defined?

A strategic company is defined as one that engages in any of the 51 specific activities listed in the Strategic Companies Law, including mining, nuclear, military, space and aviation industries, encryption, mass media, fishing and more.

3.9 Which transactions (actions) are subject to preliminary approval under the Strategic Companies Law?

Transactions that require preliminary approval include those where a foreign investor acquires control over more than 50% of a strategic company's voting shares, appoints executive officers, or elects members of the board of directors, or acquires control over a strategic company through other means, or acquires its fixed assets whose book value is equal to or exceeds 25% of the value of all its assets. Thresholds are lower if a strategic company is involved in mining on federal land plots.

3.10 Who is responsible for securing preliminary transaction approval?

The foreign investor is responsible for securing transaction approval under the Strategic Companies Law.

With regard to the transactions requiring preliminary approval under the counter-sanctions rules, it is common that the purchaser is responsible for securing transaction approval.

3.11 How does one obtain preliminary transaction approval?

To obtain preliminary transaction approval under the Strategic Companies Law, a foreign investor must submit an application to FAS,

which checks the application's compliance with formal requirements. The application must be supported by various documents, including a description of the foreign investor's and strategic company's groups, corporate documents, and a draft business plan for the strategic company. FAS may request additional information and conclusions from the Federal Security Service, the Ministry of Defense and other state ministries. Once FAS forms its internal position on filing, it submits the transaction for approval to the Government Commission headed by the Russian Prime Minister. The Government Commission takes a final decision on whether or not to approve the transaction, or approve it with amendments.

For the purposes of clearing the transaction under the counter-sanctions rules, an application shall be filed with the Ministry of Finance and, in certain cases, other governmental authority depending on the industry where the target company operates.

3.12 How long does an application review take?

The review process typically takes three months, but can be extended for another three months. In practice, the approval process may take longer, and there are no official fast-track options.

3.13 How much discretion do the authorities have when rendering a decision after an application review?

While FAS focuses on compliance with formal requirements, the Government Commission has full discretion to approve in full, approve with amendments, or reject the proposed transaction and is not obliged to explain or substantiate its decision.

3.14 If preliminary approval for a transaction is not granted, can such a decision be challenged?

A decision of the Government Commission may be challenged at the Supreme Court of the Russian Federation, but this is difficult in practice.

3.15 When is a post-transaction notification required?

A post-transaction notification is required in certain cases, including the acquisition of at least 5% of shares in a strategic company, changes in citizenship or residency status of individuals holding at least 5% of shares in a strategic company, or changes in allocation of votes that lead to an acquisition of control.

3.16 What are the exemptions to the Strategic Companies Law?

The Strategic Companies Law does not apply to certain transactions, including acquisitions by entities under the control of the Russian Federation, its constituent territories, or citizens of the Russian Federation that do not hold foreign citizenship or a residence permit, as well as certain intragroup transactions and investments in strategic companies using strategic subsoil plots and/or fishing of aquatic biological resources. In some cases, in order to leverage these exemptions, a foreign investor must disclose its beneficiaries to FAS before a transaction.

3.17 What are the exemptions to the counter-sanctions rules?

The restrictions under the counter-sanctions rules do not apply if the party to a transaction being a foreign person linked to the unfriendly states is ultimately controlled by a Russian entity or citizen subject to the disclosure of such control in accordance with the Russian tax law requirements.

3.18 What are the consequences of violating the Strategic Companies Law?

Transactions executed in breach of the Strategic Companies Law are deemed void, and parties may be required to return everything received under the transaction, and if this is not possible, they may lose voting rights. Failure to comply with the law can also result in fines and penalties.

3.19 Are there special rules for investments made by foreign states and international organizations?

Investments by foreign states and international organizations, as well as entities under their control are subject to stricter clearance requirements and restrictions, including the requirement to obtain preliminary transaction approval for smaller acquisitions in strategic companies (e.g., 25% instead of 50%), the prohibition on establishing control over strategic companies, and the requirement to file a preliminary notification for investments into non-strategic companies.

3.20 Are there special rules for investments made by investors from offshore jurisdictions or other foreign investors that do not disclose their beneficial owners?

Investors from offshore jurisdictions can now enjoy the same regime as other foreign investors provided they disclose information about their beneficiaries to FAS before the transaction.

Any foreign entity that fails to disclose its beneficiaries to FAS before a transaction can be subject to the same stricter rules that apply to investments of foreign states into strategic companies (see question 17 above).

4. Establishing a Legal Presence

4.1 What are the most common forms of legal presence in Russia?

Foreign investors most often conduct business in Russia through (i) a local representative office or branch of a foreign company; or (ii) a Russian subsidiary.

4.2 Representative office or branch of a foreign legal entity

4.2.1 Is a branch or a representative office considered a Russian legal entity?

No, neither a branch nor a representative office of a foreign company is considered a Russian legal entity, but rather a subdivision of a foreign parent company.

4.2.2 What are the differences between a branch and a representative office?

A representative office is set up to carry out liaison and ancillary functions to promote the business of its foreign parent company in Russia and formally, representative offices must not engage in commercial activities, while a branch may engage in any functions that the parent company engages in, as long as this is provided for in the branch's regulations and is permitted under Russian law.

4.2.3 What is the procedure for establishing a branch or representative office in Russia?

Branches and representative offices of foreign entities in Russia are subject to mandatory accreditation with Inter-district Tax Inspectorate

No. 47 of the Federal Tax Service located in Moscow. Following accreditation, a number of post-accreditation procedures must be carried out to become fully operational, including registering with the Russian statistics authorities, the Russian Pension Fund and the Russian Social Insurance Fund, and opening bank accounts

4.3 Forming a Russian legal entity

4.3.1 What types of legal entities can be established in Russia for the purposes of business activity?

The Civil Code of the Russian Federation recognizes several types of business entities, including general and limited partnerships, business partnerships, production cooperatives, limited liability companies (LLCs), and joint-stock companies (JSCs).

4.3.2 How are Russian companies classified?

Russian companies are divided into two categories: public companies and nonpublic (private) companies. Public companies are JSCs whose shares have been publicly placed, are publicly traded on a stock exchange or which declare their public company status in the charter. All other JSCs and LLCs are deemed to be nonpublic.

4.3.3 What are the main differences between public and nonpublic companies?

Public companies may raise capital through the sale of their shares to the public, while nonpublic companies are privately held corporations that cannot raise capital from the public. Public companies are subject to public reporting and disclosure requirements and are less flexible in terms of corporate governance, while nonpublic companies offer greater flexibility in terms of corporate governance and structuring the relationships between shareholders.

4.4 What is the most common corporate form for a business in Russia?

An LLC is the most common corporate form for a private business in Russia, particularly for wholly- owned subsidiaries and certain joint ventures.

4.5 What is the procedure for establishing a Russian company?

A JSC or an LLC is deemed incorporated from the moment of its state registration with the Russian tax authorities. The state registration procedure for JSCs and LLCs is similar. In the case of a JSC, its shares must also be registered with the Central Bank of Russia. The shares cannot be transferred to third parties until they are registered

4.6 Is it possible to establish a Russian company with a sole participant (shareholder)?

Yes, both LLCs and JSCs may be established by one founder, whether an individual or a legal entity, subject to the 1-1-1 restriction (Matryoshka rule).

4.7 What is the so-called 1-1-1 restriction or Matryoshka rule?

The 1-1-1 restriction or Matryoshka rule prescribes that a company may not have another entity that has a single owner as its sole shareholder.

4.8 What is the maximum number of participants (shareholders) in a Russian company?

The maximum number of participants in an LLC is 50, while there is no limit on the number of shareholders in JSCs.

4.9 What types of shares may be issued by a JSC?

A JSC may issue ordinary shares and several classes of preferred shares, with different nominal values and rights.

4.10 What is the statutory minimum amount of charter capital of a Russian company?

The charter capital of LLCs and nonpublic JSCs may not be less than RUB 10,000, while the charter capital of a public JSC may not be less than RUB 100,000.

4.11 What is the deadline for paying the initial charter capital?

In LLCs, the charter capital must be paid up in full within four months from the date of the LLC's registration, while in JSCs, the founders must pay at least 50% of the JSC charter capital within three months following its state registration with the remainder payable in full within the first year.

4.12 Is it possible to pay charter capital in kind?

The statutory minimum amount of initial charter capital must be paid in cash, while other contributions may be made either in cash or in kind.

4.13 What are the governing bodies for Russian companies?

Russian companies have two models of corporate governance: a two-tier model (general meeting and executive body) and a three-tier model (general meeting, board of directors, and executive body). For nonpublic JSCs with 50 or more shareholders and public JSCs, a board of directors is mandatory.

4.14 What is the role of the general meeting?

The general meeting is the supreme governing body of a Russian company, responsible for the most important issues pertaining to the management of the company.

4.15 What is the role of the board of directors?

The board of directors is a company's supervisory governing body responsible for general oversight and direction of the company's activities.

4.16 What are the executive bodies of a Russian company?

A Russian company must have a sole executive body (general director) and in addition may have a collegial executive body (management board).

4.17 What is the competence of the sole executive body?

The sole executive body acts on behalf of the company without a power of attorney, represents the company in relations with third parties and has the authority to bind the company.

4.18 Is it possible to appoint two or more sole executive bodies?

It is possible to appoint two or more sole executive bodies, which may act independently from each other or jointly (two-signature rule).

4.19 What is the role of the management board?

The management board is a collegial executive body of the company

responsible for its day-to-day management.

4.20 Does Russian law allow the outsourcing of the day-to-day management to an external manager?

Yes, the functions of the sole executive body may be delegated to an external commercial organization or to an individual manager on a contractual basis.

4.21 Does Russian law provide for mandatory audits of Russian companies?

Public JSCs are subject to mandatory audits, while LLCs and nonpublic JSCs are not generally subject to mandatory audits, unless certain conditions are met.

5. Corporate Compliance

5.1 Overview

Russian criminal law prohibits public and private, domestic and foreign, and active and passive bribery. Aiding and abetting bribery and minor bribery are also prohibited. It applies to individuals only.

Legal entities may face only administrative liability for active public and private bribery.

Russian law also imposes tough restrictions on gifts to public officials, and although it is the public officials themselves who are mostly subject to these restrictions, companies should also be aware of them in order to avoid unethical conduct and suspicions of bribery.

5.2 Liability of legal entities for bribery

Russian law provides for administrative liability for a legal entity for unlawful provision, offer or promise, by anyone acting in the name or in the interests of a legal entity or in the interests of a related legal entity, of anything of pecuniary value to a Russian or foreign public official, an official of a public international organization, or officers in a commercial company (or to another individual or a legal entity upon request of the aforementioned officials) for any act or omission in the interests of this legal entity or its related legal entity.

Definitions of a Russian public official, a foreign public official, an official of a public international organization and a person performing managerial functions in a commercial or other organization are the same as for the corresponding criminal offenses.

A defense that may be used based on the enforcement practice is confirmation that the company has taken anti-corruption measures to avoid the offense in question. Ultimately, this is an issue about the

compliance program adopted by the respective company. A non-exhaustive list of the anti-corruption measures that the company could take is provided by the Russian legislation. The Russian Ministry of Labor and Social Protection also published a number of official guides on how legal entities should take these measures.

The sanctions vary depending on the amount of the bribe. The maximum sanction for a bribe over RUB 20 million is a fine of up to 100 times the amount of the bribe, but not less that RUB 100 million. In all cases, the bribe or its equivalent value may be confiscated. The biggest amount of an administrative fine we have observed over the years is RUB 100 million.

In most cases, information about bribery committed by legal entities, is publicly available through courts' web-sites and press-releases of Russian law-enforcement authorities.

A company that is found liable for bribery will not be eligible for participation in state procurement tenders for a period of two years. This information is also publicly available.

In recent years, we have seen a number of prosecutors' actions and court cases in connection with inspections of Russian entities for noncompliance with the requirements to adopt anti-corruption measures. Though there are no sanctions in the law for failure to comply with the obligation of taking measures to prevent corruption, failure to comply with a prosecutor's instructions to adopt anti-corruption measures (as issued following these inspections) is punishable and may even include administrative suspension of operations by up to 90 days.

5.3 Criminal liability of individuals for bribery

Russian law prohibits the provision of a bribe both to public officials and to employees of commercial companies.

Russian statutory definition of public officials is quite broad and includes persons who permanently, temporarily or pursuant to a specific authorization perform the function of a representative of state power as well as persons who perform organizational or administrative functions in the state and municipal bodies, state or municipal institutions, state corporations, state and municipal unitary enterprises and in the Russian military and other armed forces. The definition also covers individuals with administrative and managerial functions at public law companies, companies where Russia, its constituent entities or municipalities is entitled to dispose of over 50% of votes or appoint the sole executive body or 50% of collegial bodies, joint-stock companies with special participation rights of the Russian Federation, its constituent entities or municipalities.

The law provides for the following maximum imprisonment terms for bribery related crimes:

public bribery (both active and passive) – 15 years

active commercial bribery 8 years

passive commercial bribery – 12 years

The law also prohibits aiding and abetting in bribery, including an offer or a promise for aiding and abetting in bribery where terms of imprisonment are comparable to those mentioned above.

A person who has given a bribe may be released from criminal liability if they actively aided in detecting and prosecuting the crime, and either if the bribe was extorted from them or they voluntarily reported the bribe to criminal law enforcement authorities.

5.4 Restrictions on gifts

Russian law prohibits gifts to state and municipal officials in connection with their office or the discharge of their duties of office, except for

simple gifts of a value below RUB 3,000. However, such gifts are not to be provided with an illegal purpose. Strictly speaking, there is no limit to the value of the bribe and, thus, a gift worth less than the above threshold can be considered a bribe.

Criminal cases dealing with provision of gifts qualified as bribes, appear in the public domain from time to time, therefore we recommend companies to carefully tailor their policies and procedures related to gifts.

Gifts to state and municipal officials exceeding the above threshold are considered federal or constituent entities or municipal property and shall be handed over by the official to the state authority where the official is employed.

Different governmental agencies and or state-owned companies have their own rules on acceptable gifts and hospitality and this issue requires a separate review on a case-by-case basis.

Anticipated changes to anti-corruption laws

On 15 February 2023 Russia withdrew from the Criminal Law Convention on Corruption of the Council of Europe. So far, we have not observed any changes in state anti-corruption policy due to the aforementioned withdrawal. Moreover, Russia continues to be party to a number of international instruments against corruption, such as the UN Convention against Corruption of October 31, 2003, the UN Convention against Transnational Organized Crime of November 15, 2000 and the OECD Convention on Combating Bribery of Foreign Public Officials in International Commercial Transactions.

Although a number of draft laws on the anti-corruption matters are pending before the Russian Parliament, they are related to minor technical amendments to the legislation, while we do not expect any major changes to the anti-corruption legislation in the near future.

6. Taxation

6.1 What are the key taxes in Russia?

6.1.1 Corporate profits tax

Corporate profits tax is payable by legal entities with Russian tax residence and by Russian permanent establishments of foreign companies. Corporate profits tax rate is - 25% since the beginning of 2025.

Reduced tax rates, down to 0%, are available to medical and educational companies, agricultural enterprises, and residents of territories with special beneficial tax and legal regimes. In 2025 - 2030, the rate is fixed at 5% for IT companies. A 15% tax rate is established for “personal funds” – the Russian analogue of trusts.

Various investment incentives are available, such as participation exemption on dividends, holding period exemption for sale or redemption of shares, and investment tax deductions.

6.1.2 Withholding tax

“Passive income” received by a foreign company from Russia may be subject to a withholding tax (“**WHT**”). Such income includes dividends, interest, royalties, capital gains from sale of real estate or shares in real estate holding companies, lease payments, international transportation services and all types of intercompany services.

Payments for goods, services or other valuables supplied to Russian customers do not attract WHT with the exception of items mentioned above.

WHT rates are:

- 15% for dividends
- 15% for intercompany service fees,
- 10% for income from international transportation services and from lease of sea vehicles and aircraft,
- 25% for other types of “passive income” since the beginning of 2025,
- reduced WHT rates may apply to dividends, interest and royalties received or paid by international holding companies.

WHT may be reduced or completely avoided if there is an effective double tax treaty with Russia. In August 2023, Russia has suspended its double tax treaties with so-called unfriendly states. However, double tax treaties with the majority of Eastern, Asian, Southern and Latin American countries remain effective. A list of Russian double tax treaties, their validity status and WHT rates for dividends, interest and royalties can be found here. Note that beneficial ownership requirements must be satisfied to apply the tax treaty benefits. Also note that Russia is a party to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“**MLI**”). The MLI criteria for prevention of treaty abuse need to be satisfied with respect to the covered tax treaties.

6.1.3 VAT

The supply of goods and certain categories of services to Russia attracts Russian VAT. Ordinary VAT rate is 20%. Reduced 10% and 0% rates are available for certain goods and services.

In most cases, VAT must be paid by Russian entities acting in the

capacity of (i) a supplier, or (ii) an importer of record, or (iii) a tax agent for VAT purposes when making a purchase from a foreign entity. Foreign suppliers with no presence in Russia do not need to undergo VAT registration in Russia.

However, a foreign company may need to tax register in Russia if it operates a website / digital platform and provides electronically supplied services to Russian B2C customers. In this case, such foreign company will be required to collect, report and pay Russian VAT.

6.1.4 Individual income tax

Individual income tax ("**IIT**") is payable by Russian tax residents in their worldwide income and by non-residents on income derived from Russia.

Historically, tax rates for Russian tax residents were 13% on income not exceeding RUB 5,000,000 per year and 15% on income in excess of this amount.

Since the beginning of 2025, tax rates for tax residents are increasing and will range from 13% to 22% depending on the annual income of the individual in question. The lower 13% / 15% rate will remain applicable to income from the sale of property, dividends, interest income, income from securities and some other types of investment income.

The same rates apply to salaries and service fees payable by Russian employers to non-residents using remote work arrangements. A 30% rate applies to other income of non-residents while a 35% rate applies to some limited categories of income (gambling, etc.)

Taxes on salaries, service fees and most types of "passive income" must be withheld and paid by a tax agent in Russia. A tax agent is normally a Russian company or a registered branch / office of a foreign company that pays income to the individual – e.g., an employer, a service

recipient, a company distributing dividends, etc. Since January 2025, foreign companies with no presence in Russia that pay remuneration to Russian individuals via online platforms must undergo Russian tax registration and report and pay Russian IIT as tax agents.

6.1.5 Social security contributions

Social security contributions ("**SSC**") are salary taxes imposed on Russian employers and individual entrepreneurs. SSC are paid at the expense of the employer and may not be withheld from the individual's income. Apart from salaries, SSC apply to service fees and license remunerations paid to individuals.

SSC rates amount to 30% of the individual's annual income not exceeding the "maximum base" for the relevant year and 15.1% on the income exceeding this amount. The "maximum base" for 2025 is RUB 2,759,000. Reduced SSC rates are available to some categories of businesses, including IT companies.

Currently, foreign businesses with no presence in Russia are not required to report and pay Russian SSC.

6.1.6 Other taxes and special tax regimes

Russia also imposes a number of other taxes and charges that may apply depending on the company's business and property owned in Russia.

- Owners of Russian real estate, land plots and transport vehicles must pay property tax, land tax and transport tax respectively.

- Companies engaged in specific business activities may have to pay excise tax, subsoil use taxes (mineral extraction tax and income-based tax), touristic tax or gambling tax.

- State duty is payable for services provided by Russian state agencies. Also, there are several types of charges for the right to use natural resources, such as water tax and a charge for use of wildlife resources.

- Special beneficial tax regimes are available for small businesses and for agricultural enterprises.

6.2 What ad-hoc taxes can Russia impose?

6.2.1 Emergency taxes

Russia may establish one-off emergency taxes, the parameters of which are determined separately in each case. In 2024, Russia already imposed such an emergency tax – a so-called windfall tax – on the largest corporate taxpayers. Since then, there have been no announcements on further emergency taxes. However, the possibility of future emergency taxes cannot be ruled out.

6.2.2 “Exit tax”

Apart from regular taxes, the Russian authorities have de-facto enacted a so-called “exit tax”. Foreign owners from unfriendly states that want to sell their Russian businesses must obtain special authorization from the Russian authorities. This authorization is granted only on condition of paying a so-called “voluntary contribution” to the Russian budget in the amount of up to 35% of the fair market value of the sold assets. The “exit tax” may be paid either by the seller or by the purchaser.

6.3 What other tax issues should be considered when operating in Russia?

6.3.1 Russian transfer pricing rules

Russian transfer pricing rules extend to related-party transactions, as well as to unrelated-party transactions that involve either (i) the supply of certain products[1], or (ii) counterparties from offshore jurisdictions. Under the current Russian rules, unfriendly states are listed among offshore jurisdictions.

Russia imposes severe penalties for transfer pricing violations. Also, Russia treats income gained by a foreign counterparty as a result of an alleged transfer pricing violation as deemed dividends and imposes 15% WHT on this amount.

6.3.2 Russian CFC rules

Russian tax residents (individuals and legal entities) must report and pay taxes on the undistributed profits of foreign companies and foreign unincorporated structures "controlled" by these residents ("**CFCs**").

Russia imposes fairly low thresholds for CFC recognition. A Russian tax resident is considered a controlling person of a foreign company if they own, directly or indirectly (1) more than 25% of the shares in the company, or (2) more than 10% of the shares in the company if Russian persons in total own more than 50% of the shares in this company. At the same time, there are a number of exceptions that allow one to reduce or completely avoid taxation of CFC profits in Russia.

6.3.3 Disclosure obligations

Businesses operating in Russia, apart from filing regular financial statements and tax returns, must disclose a substantial amount of information to the Russian tax authorities, including (i) transfer pricing country-by-country reporting of businesses belonging to an international group of companies, (ii) on request - information on beneficial owners for anti-money laundering purposes, and (iii) information on foreign bank accounts.

1 These are: oil and petroleum processing products, ferrous and non-ferrous metals, mineral fertilizers, precious metals and gemstones.

Foreign companies that have Russian tax registration – even by virtue of merely having a Russian bank account or property in Russia – must annually disclose their ownership structure, down to public companies and/or individuals directly or indirectly holding over 5% in the relevant foreign company.

6.4 What special investment incentives are available in Russia?

Russian law offers a number of special regimes under which businesses can obtain tax benefits if they invest in Russia and / or set up holding companies in Russia. Tax benefits are available to:

- Companies resident in certain territories of Russia with special tax and legal regimes (special economic zones, free economic zones, priority development areas, innovation centers),

- Companies that participate in regional investment projects or conclude a “special investment contract” at the federal level;

- Russian or foreign companies that re-domiciled to “special administrative regions” of Russia (Far East of Russia and Kaliningrad region) and obtained the status of an international company / international holding company.

Note that limitations on foreign participation / an investor’s jurisdiction may exist and need to be checked in each particular case.

7. Customs, Trade and WTO Aspects

7.1 What is the international legal framework for Russian customs regulations?

Russia participates in the World Customs Organization ("**WCO**") and the World Trade Organization ("**WTO**"). Russia is also a member of the Eurasian Economic Union (''**EAEU**'') established in 2015. Russian customs regulations are based on the international agreements of the WCO and WTO and supranational legal acts of the EAEU - the EAEU Customs Code and implementing regulations set out by the EAEU Commission, as well as Russian domestic regulations.

7.2 Does Russia apply bilateral or regional legal instruments facilitating trade with other countries?

Russia has concluded free trade agreements (FTA) with Vietnam, Iran, Georgia, Turkmenistan, Azerbaijan, Uzbekistan, Belarus and Serbia, as well as the Free Trade Area of the Commonwealth of Independent States (CIS FTA). Russia also signed an FTA with Singapore in 2019 that has not yet entered into force.

Since 2006 Russia has been expanding its activity in BRICS, an intergovernmental economic cooperation union currently including nine countries (Brazil, Russia, India, China, South Africa, Iran, Egypt, Ethiopia, and the United Arab Emirates).

In addition, Russia is also participating in a number of industry-specific foreign trade agreements, for example:

- Russia has concluded a number of bilateral agreements in the oil and gas sector, including with China, India and Turkey.

- Russia and India concluded a program of cooperation in

trade, economic and investment spheres in the Russian Far East for 2024 – 2029, as well as in Russia's Arctic zone.

- Russia and Iraq concluded an agreement on trade, economic and scientific-technical cooperation.

7.3 Which countries are members of the EAEU and what are the main advantages of membership?

The EAEU members include Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan. The EAEU establishes a unified customs territory with free movement of goods, individuals, services and capital. The legal framework of the EAEU is set out in the 2014 EAEU Treaty.

7.4 Who can import goods into Russia?

Russia (and the other EAEU members) apply a so-called "resident principle", whereby only Russian legal entities or private entrepreneurs can act as the importers of record ("**IOR**") in Russia and perform customs clearance of imported goods with the local customs authorities. Foreign persons can act as IORs in a limited number of cases. For example, Russian branches or representative offices of foreign companies can import goods for their internal needs. Foreign goods designated for the importation into the other EAEU member states can be transited across the Russian territory.

7.5 Where and how can customs clearance be performed?

Customs clearance operations should be conducted with Russian customs posts. Customs declarations should be submitted electronically. The IOR needs to register an electronic account with the Russian customs authorities, deposit money to the account of the customs authorities as advance customs payments, and prepare and

submit an import customs declaration certified by the IOR's electronic signature.

7.6 What are the most important things to know about customs clearance?

The most important issues are: (i) accuracy of the information declared on the imported goods, (ii) customs (HS) classification, structure of customs value and correctness of applicable customs payments, (iii) completeness of supporting documentation covering each shipment, including import authorizations/permits (if required), and (iv) compliance of the goods and their packaging with applicable labeling requirements.

7.7 Can the IOR engage a customs broker?

Yes, customs clearance can be conducted with the assistance of a licensed customs broker (representative) which may submit customs declarations on behalf of the IOR. Customs brokers bear several liability together with the IORs for the accuracy of information provided to the Russian customs authorities.

7.8 What types of customs payments can be applied in Russia?

Generally, the importation of goods is subject to the following customs payments: import customs duty (based on the established rates); import VAT (charged on top of the customs value and import customs duty at the applicable standard rate of 20%, certain goods are subject to a reduced 0% or 10% rate of import VAT); and a customs processing fee – an insignificant payment for customs operations. In addition, depending on their type and characteristics, goods may be subject to an excise duty (for excisable goods such as vehicles, alcohol and tobacco products or a utilization fee (for motor vehicles and transport machinery). Certain goods can be subject to safeguard or countervailing tariff measures (anti-dumping duties, safeguard

duties) set out at the EAEU level, as well as so-called Russian local counter-measures (for example, certain specifically listed machinery and equipment originating from the US are subject to increased rates of import customs duty of up to 45%). Note that starting from September 2023 an export customs duty applies starting to a large number of goods.

7.9 Why is the HS classification of goods important?

The HS classification is needed to check applicable rates of import customs duty and import VAT, as well as to determine applicable statutory prohibitions and/or limitations (including the necessity to obtain certain import permission documents).

7.10 What prohibitions or limitations can be applied to the importation/exportation of goods?

Some goods can be subject to certain import/export restrictions or prohibitions set out at the supranational EAEU level, or the Russian national regulations (for example, Russia applies import restrictions on some agricultural products, raw materials and foodstuffs such as milk and dairy products, meat, fruit and nuts originating from US, EU countries, Canada and some other countries). The importation/exportation of certain goods may require import/export permission documents that must be issued well in advance (import/export licenses/permits/authorizations, certificates/declarations of conformity). Some goods can be exported from Russia only to the EAEU countries based on an export permit. The applicability of import/export restrictions or permission documents should be determined based on the goods' HS code, characteristics and designation.

7.11 Does Russia apply export controls?

Yes, Russia applies export controls with respect to certain specifically listed dual-use items. The Russian dual-use lists are based on Russia's

membership in the Wassenaar arrangement. Export controls are not unified at the EAEU level - each EAEU country has its own set of rules. The import/export of goods and intangible (electronic) cross-border transmission of data (technology/software) classified in Russia as dual-use items require a prior export control license or authorization. The goods' HS code, characteristics and designation should be analyzed in order to check their dual-use status.

7.12 What types of customs procedures can be applied by the IOR?

The IOR may apply standard customs procedures for import (or release for internal consumption) and export. In different situations so-called economic customs procedures can be applied, for example, re-import and re-export, customs warehousing, temporary import, free customs zones, and special customs procedures.

7.13 Can the customs authorities check the imported goods after their customs clearance?

Yes, the Russian customs authorities can audit the imported shipments of goods within a three-year period after their release during the so-called *post-clearance customs control*.

During customs audits the customs authorities check the accuracy of submitted customs declarations and supporting documents. Particularly, the Russian customs authorities have been traditionally focused on including certain surcharges into the customs value of goods, such as license fees (royalties), VAT on royalties, freight charges, agency costs, dividends, etc. In case of post-clearance customs audits, possible additional customs payments on the customs value surcharges will be subject to late payment interest. Therefore, IORs should keep records of all their import/export operations and underlying customs documentation for at least three years after the importation. IORs are entitled to challenge decisions taken by the

Russian customs authorities with the upper tier customs authorities or in court within three months from the date of issuance or receipt of such decisions. Overpaid or excessively collected (in view of IORs) customs payments can be returned during the three-year statute of limitation period.

7.14 What type of liability can be applied for violation of customs regulations?

In case of violation of customs regulations, the IOR or its managers can be subject to administrative penalties, which can be in the form of an administrative fine with possible confiscation of the imported goods (confiscation requires a court decision), subject to a two-year statute of limitation period. Customs payment evasion exceeding the threshold of RUB 3 million (or USD 33,000), or smuggling certain types of goods across the custom border can be viewed as a criminal violation. Criminal penalties can be applied to responsible employees (criminal penalties cannot be imposed on legal entities). Depending on the circumstances and gravity of the crime, responsible individuals could be subject to different types of criminal penalties, including a criminal fine, or up to 12 years of imprisonment, the with statute of limitation of 2-15 years.

7.15 What statutory restrictions apply to the importation of goods by individuals?

The importation of goods by individuals is subject to a number of duty-free and quantitative thresholds, depending on the type of transport. For example, passengers travelling by air may bring in goods and/or currency designated for their personal needs with a total value not exceeding EUR 10,000, subject to quantitative restrictions for certain specific types of goods (for example, not more than 200 cigarettes, 50 cigars, three liters of alcohol beverages, etc.). Otherwise, if the above thresholds are exceeded, the passenger must pass through the red corridor at the customs border, declare the excess and make applicable

customs payments. The duty-free threshold of EUR 200 applies to goods delivered by international mail or express couriers. Individuals are not allowed to import or export certain types of products, which cannot be viewed as goods designated for personal use (for example, dual-use items, or goods subject to sanitary or veterinary restrictions or non-tariff measures, etc.).

8. Sanctions

Western sanctions against Russia are a set of restrictive measures that were first introduced by the US, and then supported by the EU, the UK, Canada, Australia, Switzerland, Norway and Japan (collectively referred to as ‘‘**Implementing Countries**’’) in 2014; these measures were significantly expanded in 2022-2024 and continue to be further developed.

The most significant sanctions against individuals and legal entities are the so-called general or blocking sanctions. Generally, blocking sanctions require that: (1) the assets of the sanctioned persons be blocked (frozen); and (2) the listed individuals be banned from entering the Implementing Countries. Sanctions affect not only the designated persons themselves, but also the assets and property of any other entities that are directly or indirectly controlled or predominantly owned by the designated person.

Sanctions may also target particular industries within a particular country, primarily in the finance, energy or defense sectors (so-called sectoral sanctions), and particular territories (Crimea and Sevastopol, and the Donetsk, Lugansk, Kherson and Zaporozhye regions), which have become almost completely isolated from business relations with Implementing Countries.

Sanctions regimes introduced by Implementing Countries provide for certain exemptions, authorizations and licenses. Their applicability should be analyzed on a case-by-case basis.

Depending on the particular Implementing Country, failure to comply with sanctions may result in the imposition of heavy criminal fines or even imprisonment for responsible individuals. Persons beyond the jurisdiction of the Implementing Country involved in the violation and/or circumvention of sanctions may be separately included in sanctions lists.

8.1 US sanctions framework

Since 2014, the US has imposed a comprehensive set of sanctions on Russia. Numerous Russian individuals and legal entities were designated, most of them under Executive Order (EO) 14024 for operating in the technology sector or the defense and related materiel sector of the Russian Federation economy. The US has also greatly hit the Russian financial sector, by putting nearly all major Russian banks on the Specially Designated Nationals (SDN) list, banning transactions with the Central Bank and the Finance Ministry of Russia, and prohibiting new investments in Russia. In December 2023, EO 14114 introduced secondary sanctions authority against foreign financial institutions for executing transactions for or on behalf of persons designated under EO 14024, and significant transactions and services involving Russia's military-industrial base.

The US has also imposed extensive export controls on technology, software, and other items (including semiconductors, computers, telecommunications equipment, and sensors) and has banned imports of Russian oil, liquefied natural gas, and coal. They have also supported the G7 initiative to impose a price cap on Russian oil exports in order to limit Russia's ability to profit from its energy exports.

Additionally, the US has prohibited the provision of various services to Russia, including accounting, trust and corporate formation, management consulting, quantum computing, architecture, and engineering. In June 2024, the US government imposed new restrictions on cloud-based services and IT support services for enterprise management software and design and manufacturing software, as well as IT consultancy and design services.

In connection with the ongoing harmonization of sanctions between the US, the EU and the UK, in June 2024 the US added the Moscow Exchange and its group members, the National Clearing Center and the National Settlement Depository, to its sanctions list.

8.2 EU sanctions framework

Like in the US, EU sanctions also target key sectors of the Russian economy. Each package of sanctions expands the list of designated persons.

The EU has frozen the assets of numerous Russian banks, prohibited transactions involving the Russian Central Bank, and banned loans or credit to Russian government and associated entities. There are restrictions on dealing with transferable securities and providing financial services to designated entities. Certain Russian banks are denied access to SWIFT. Also, the EU prohibits EU banks outside Russia from connecting and carrying out transactions using the Financial Messaging System of the Central Bank of Russia (SPFS), the Russian equivalent of SWIFT. The EU has established a list of targeted financial institutions and crypto-asset providers established outside the EU that facilitate transactions supporting the Russian defense industrial base (analogous to the US secondary sanctions).

Various investment restrictions include bans on dealing with securities issued by Russia, on investments in projects associated with the Russian Direct Investment Fund (RDIF), and broad restrictions on public financing or financial assistance for trade with or investment in Russia. The EU has also prohibited investments in Russian energy, mining, and quarrying sectors, including joint ventures and financial services related to these sectors.

The EU has restricted the sale, supply, transfer, or export of numerous items to Russia, including dual-use items, energy-related items, and luxury goods. It also restricts imports of Russian-origin items such as iron, steel, crude oil, petroleum products, and gold. There are price caps on petroleum products from Russia, setting limits for maritime transport and related services based on product type and price.

The EU service ban is broader than in the US and covers accounting,

auditing, bookkeeping, tax consulting, business and management consulting, public relations, architectural, engineering, legal advisory, IT consultancy, market research, public opinion polling, technical testing and analysis, and advertising services. In December 2023, the ban was further extended to cover the provision of software for the management of enterprises, industrial design and manufacture to Russian companies. The exemption for the provision of such services to Russian subsidiaries of EU or partner country companies expires on 30 September 2024. From that date, EU operators wishing to continue to provide such services to their Russian subsidiaries will have to apply for authorization to the competent authority of the relevant EU member state.

8.3 Swiss sanctions framework

Switzerland, although not bound by EU sanctions, generally aligns its sanctions regulations with the EU. However, Swiss sanctions are tailored to its economic environment and national economic strategy (e.g., Switzerland retains an exemption for subsidiaries of Swiss companies with regard to the provision of restricted services to or for recipients in Russia).

8.4 UK sanctions framework

The UK has imposed sanctions targeting Russia's financial, aviation and shipping sectors, and strategic sectors like defense, aerospace and energy.

Restrictions in the financial sector cover operations with securities and instruments from major Russian banks and entities connected with the Russian government, and prohibit the provision of financial services to the Russian Central Bank, National Wealth Fund, and the Ministry of Finance.

The UK has also banned new investments in Russia, including the

acquisition of shares, the formation of joint ventures in Russia, new loans or credits for investment in Russia, and the provision of related investment services.

The UK has prohibited exporting, supplying, and delivering certain goods, technology, and services to Russia, including military and advanced technology items, infrastructure-related, energy-related and oil refining items, and jet fuel and luxury goods. It is also prohibited to provide maritime transport, insurance and other financial services for ships carrying Russian crude oil or refined oil products to or between third countries, unless the crude oil or refined oil products have been sold below a specific price cap.

The UK service ban also covers a wide range of professional services such as accounting, auditing, business and management consulting, public relations, architectural, engineering, legal advisory, IT consultancy and design, advertising, and certain supporting services. It also prohibits maritime transport, insurance, and financial services for ships carrying Russian oil, unless sold below a specified price cap.

8.5 Japanese sanctions framework

Japan has imposed sanctions on Russia that target Russian individuals and the financial sector, and establishing export restrictions on military-related and dual-use goods. Japan also imposed a ban on the import of crude oil originating from Russia traded above the cap price designated by the Ministry of Foreign Affairs and the provision of related services (such as brokering services, financing and financial assistance). Japan's service ban is less comprehensive than in the US, EU, Switzerland and UK, and covers only trust, accounting, auditing, business management consulting, architectural and engineering services.

8.6 Ukrainian sanctions framework

Ukraine considers Russia to be an aggressor country, which results in the practical impossibility of any economic relations between Ukrainian and Russian persons, including direct payments between Russian and Ukrainian persons. Ukrainian sanctions against Russia also target key sectors of the Russian economy and numerous individuals and entities. These sanctions include asset freezes, entry bans, and restrictions on exporting assets from Ukraine. Several sanctions will last until 2032, such as bans on capital export to Russia, suspensions of licenses for using Ukrainian subsoil, and prohibitions on acquiring Ukrainian real property and public procurement from Russia. Additionally, there are bans on Russian ships and aircraft entering Ukrainian territory, and on Ukrainian persons acquiring Russian securities or exporting technologies to Russia. Importing Russian goods, circulating Russian medicines, and issuing licenses for investments in Russia are also prohibited. Ukrainian authorities can seize assets owned by Russia and Russian persons, as well as other persons supporting Russian political actions. In February 2023, Ukraine imposed 50-year sanctions on all Russian financial institutions, including bans on business relationships, transactions, and investments.

8.7 Russia's response to the sanctions

In August 2014, in response to Ukraine-related sanctions, Russia banned imports of certain agricultural and food products from a number of countries, including the EU, the US, and the UK. The list of banned products was repeatedly revised. Later, an entry ban was imposed on officials from the sanctioning countries, and other retaliatory measures were taken, such as limiting access to public procurement and reducing diplomatic personnel in Russia.

In June 2018, Russia adopted the Law on Countersanctions, allowing measures like suspending international cooperation, import/export bans, and restrictions on services provided by/to foreign entities. Effective October 2018, sanctions were imposed on Ukraine; specific

measures included an asset freeze and a ban on the transfer of funds and import of goods from sanctioned entities. The Lugovoy Law, adopted in June 2020, prescribes that disputes involving Russian persons under sanctions must be resolved in Russian courts (even if an arbitration clause is incorporated into the contract), and it is possible to apply for a termination of proceedings outside of Russia.

In February 2022, Russia introduced a wider range of countersanctions in response to the above sanctions. These measures include a restriction on transactions with certain listed persons; restrictions on fund transfers and exports abroad (including machinery, vehicles, technological, telecommunication, medical, electrical equipment, IT products, with exemptions for transit, personal and military-end use, etc.); mandatory sale of foreign currency proceeds for certain exporters; "parallel imports" of genuine foreign goods of particular HS[2] codes and brands without the consent of IP rights holders from unfriendly states.

A list of unfriendly states has been compiled. The list includes jurisdictions that have directly imposed sanctions on Russia, as well as those that have formally joined and supported them. The new countersanctions introduced a number of restrictions on persons from such unfriendly states, including a requirement to fulfill obligations through special ruble bank accounts (dividends, loans, royalties, etc.), a ban on loans and investments, and special procedures for transfers of real estate, shares and participation interest in Russian entities (See Section 27).

2 HS - Harmonized System, an internationally standardized system for classifying products

9. Employment

9.1 Sources of Russian labor law

9.1.1 What sources of Russian labor law exist on the federal level?

The principal piece of legislation governing labor relationships is the Labor Code of the Russian Federation (the ‘‘**Labor Code**’’). It sets minimum employment standards that cannot be overridden by agreement of the parties.

In addition, there are federal laws regulating employment law-related matters (e.g. Federal Law No. 426-FZ, dated 28 December 2013, On the Special Assessment of Working Conditions). Case law is not a source of law in Russia. At the same time, the explanations in the Rulings of the Constitutional Court are mandatory. Decisions of the Supreme Court of Russia also have a significant impact on court practice in labor disputes (especially Resolutions of the Plenum of the Supreme Court and Reviews of Court Practice, which the courts almost always follow).

Employers have the right (and in some cases are obliged) to adopt local regulations covering labor discipline, internal procedures, additional guarantees for employees, etc.

9.2 Formalizing and terminating labor relations

Employment is formalized by a written employment agreement in Russian or in a bilingual format (with the Russian language prevailing).

If an employer and an employee choose to execute an employment agreement in electronic form, they must use an enhanced specially approved electronic signature (for employees it is also possible to use an existing enhanced electronic signature).

As a rule, employment agreements (including those for remote work) are concluded for an indefinite period of time. A fixed-term agreement may be concluded for up to five years in a limited number of cases.

An employment agreement should contain information about the parties and obligatory terms and conditions as prescribed by the Labor Code, including, but not limited to:

- labor function;
- working regime (if it differs for a given employee from the general rules applicable to that employer);
- salary amount (not lower than the minimum monthly salary amount established by law);
- working conditions, etc.

The parties may agree on other terms and conditions, e.g. a probationary period for an employee, except for pregnant women, persons under 18 years, etc.

Changes to an employment agreement may be made in the relevant addendum. Only in cases of changes in organizational or technological working conditions may an employer unilaterally change the terms and conditions of an employee's employment agreement (except for the employee's job function, which cannot be changed unilaterally).

The regular duration of work should not exceed 40 hours per week. Overtime at the employer's initiative must be paid at an increased rate (or, at the employee's request, at the normal rate with a paid rest day provided).

Employees may also be employed with an open-ended working day, whereby an employee may be occasionally called upon to perform

their labor duties outside the normal working hours. The compensation for an open-ended working day is additional paid leave of at least 3 days per year.

Uninterrupted weekly time off must not be less than 42 hours. Employees may be required to work on a non-working day or public holiday in exceptional cases at double pay or at the normal rate with a paid rest day.

Employees are entitled to annual paid leave of at least 28 calendar days per year. Certain categories of employees are entitled to additional paid and unpaid leave.

Employment may be terminated by mutual consent between the parties, at the employer's initiative (e.g., due to redundancy, for disciplinary reasons, etc.), due to the expiry of a fixed-term employment agreement, etc. An employee may terminate the employment agreement at any time without giving a reason.

9.3 Employment of foreigners in Russia

Generally, when hiring foreign nationals, employers must obtain permission to hire foreign nationals, individual work permits and work visa invitations before the foreign nationals are employed and/or actually commence work in Russia.

Employees from countries enjoying a visa-free regime with Russia should obtain a ''patent'' (a special permission document issued in a standard simplified procedure) allowing them to work for both individuals and legal entities. Citizens of Belarus, Kazakhstan, Armenia and Kyrgyzstan do not need patents/work permits to work in Russia.

There is also a special category of foreign employees — the highly qualified foreign specialist (the ''**Specialist**''). There is a simplified procedure for obtaining a work permit and a work visa invitation for a

Specialist. The salary of a Specialist from 2024 must be at least RUB 750,000 per quarter.

Administrative sanctions for violation of Russian migration rules include severe fines (up to RUB 1 million in Moscow and Saint-Petersburg) and, in the worst cases, may even lead to temporary suspension of the employer's activities for up to 90 days and the deportation of a foreign employee from Russia. Organizing illegal migration is a criminal offence.

Russian migration legislation is still undergoing significant amendments. It is highly recommended to verify the procedures and documentary requirements on a case-by-case basis in advance.

9.4 What measures must an employer take to protect the personal data of employees?

All employers must ensure compliance with the legislation on personal data. Employers are required to obtain prior consent from employees (in some cases) and other individuals to process their personal data.

In addition, employers are required to notify the data protection authority (Roskomnadzor) of the employer's personal data processing activities. Also, as of 1 March 2023, companies carrying out cross-border data transfers are obliged to notify Roskomnadzor on such processes in a separate notification and prior to making this notification – to request information on the legal regulation of personal data and measures taken to protect personal data from foreign operators to whom the cross-border data transfer is planned and assess their compliance with the confidentiality and safety of personal data requirements in the course of data processing.

All companies that collect and process the personal data of Russian citizens are obliged to use databases located in Russia. Russian law provides severe penalties for violating personal data localization

rules. Companies may be subject to administrative fines of up to RUB 6 million for the first violation and up to RUB 18 million for repeated violations.

10. Property Rights

10.1 What is particular about property rights in Russia?

Both the Constitution and the Civil Code of the Russian Federation uphold the right to own private property.

The Land Code distinguishes the following rights to land: the right of ownership, leasehold, the right of perpetual (indefinite) use, the right of free use, the right of lifelong inheritable possession, and easements (servitudes).

10.2 What are the peculiarities of ownership?

Russian legislation permits both Russian and foreign nationals and legal entities to own real estate (apart from land plots). Title to real estate is usually acquired through a sale-purchase transaction, by means of new construction or as a result of privatization[3]. Ownership of municipal or state land plots is granted through a public (open) auction, except for specific cases (an exhaustive list is provided in the Land Code)[4].

Although there is no express provision permitting land ownership by foreign nationals[5] (including stateless persons), the Land Code may be clearly interpreted as allowing such ownership. Foreign nationals are specifically prohibited from owning land plots: (i) in border areas[6]; (ii) located within the boundaries of seaports; (ii) in other particular territories of the Russian Federation pursuant to other federal laws and (iv) of agricultural land (this extends to Russian legal entities in

3 This is usual for legal entities formed in the course of the privatization of state-owned or municipally-owned enterprises.

4 The procedures for preparing, organizing and conducting an auction are described in detail in Articles 39.11-39.13 of the Land Code. The auction may be held in electronic form.

5 Pursuant to the Land Code, the prohibition of land ownership in border territories applies to foreign legal entities (including entities acting in Russia through branches or representative offices), foreign individuals and stateless persons.

6 A list of such areas was approved by the president on 9 January 2011 by Presidential Decree No. 26.

which the equity participation of foreign nationals, foreign legal entities and/or stateless persons exceeds 50%).

In accordance with the Civil Code, property rights arise after their state registration if the law requires such state registration (see Section 10.4 below).

Starting from 2 March 2022, transactions with real estate involving foreigners and Russian legal entities controlled by foreigners are subject to certain additional restrictions (see Section 7.7 below).

10.3 What is noteworthy about leases?

Foreign legal entities and individuals may be granted leases to real properties (including land plots). Leases of real property in state or municipal ownership are usually based on a standard local form. As of the date of this guide, neither the Civil Code nor the Land Code stipulates a statutory maximum length for a land lease; the lease term in most cases does not exceed 49 years.

The Civil Code provides a lessee with certain basic rights. A lessee that properly fulfills its obligations under a lease has a preemptive right to renew the lease, unless this right is expressly excluded by the lease contract or the property was granted at an auction.

The lease of premises survives the change of ownership over the leased property except in the event of some foreclosures. The lease of buildings and structures assumes the right to use (either in lease or under another right of usage) the land plot that underlies such buildings and structures that is necessary for their operation and use. As with the lease of land plots, the lessor and the lessee may terminate the lease: (i) by mutual agreement; (ii) unilaterally on the grounds stipulated in the lease; (iii) by a court order in the circumstances provided by the Civil Code or in the lease; or (iv) by the lessor's receiver (lessor's bankruptcy trustee).

The Land Code provides for granting a state-owned or municipally-owned land plot on lease without an auction to the owner of an unfinished building, which acquired its ownership right to such building at a public auction, or to the initial owner of the unfinished building (the latter option applies if the unfinished building was not taken from the initial owner pursuant to a court order upon the expiry of the land lease due to the initial owner's failure to complete the construction). The land lease right is granted only for the completion of the building and on the condition that such land plot has not been earlier provided on the same basis to any of the owners of such unfinished building.

Lease agreements for one year or longer must be state-registered and, as provided by Article 433 of the Civil Code and the prevailing court practice, are deemed concluded and so enforceable for any third party upon such state registration (for the parties to the transactions, they come into effect upon execution unless the transaction documents provide otherwise). However, Part II of the Civil Code (Article 651) still provides that a lease shall come into effect upon its state registration without distinguishing between the effects of state registration for third parties and parties to the lease. Therefore, in accordance with a conservative interpretation of the law, even for the parties to a long-term lease, such lease comes into effect only upon its state registration.

Lease agreements for less than a year do not require state registration and become valid when signed. To avoid the obligation of state registration, leases are often concluded for less than a year and are renewed on a regular basis.

10.4 When is the state registration of rights to real estate required?

The right of ownership of, and other proprietary interests in, real properties, their creation, encumbrance (e.g., mortgage, leasehold for a term of one year or more, easement, etc.), transfer and termination are subject to state registration. Rights to real estate (rights in rem) come into existence only upon their state registration.

State registration of the ownership right to real estate and encumbrances of such right is governed by Federal Law No. 218-FZ ‘‘On State Registration of Real Estate’’ (the ‘‘**Registration Law**’’). The Registration Law provides for a unified system of state cadastral registration of all basic types of real estate.

Prior to the state registration of title, land plots and real estate objects (buildings, structures and premises) must undergo cadastral registration. The government agency that performs cadastral recording and state registration of rights to real properties is the Federal Service for State Registration, Cadastral Records and Cartography (Rosreestr).

Further to the Registration Law, starting from 1 January 2017, the cadastral recording and registration of rights to real estate facilities are consolidated into a unified system of recording and data management — the Unified State Register of Real Estate (the ‘‘**Register**’’). The Register contains information on the cadastral details of all real properties, including land plots, buildings, structures, premises and other facilities, and it shows the history of a real estate object and its current legal status.

Basic information on the cadastral details of a real estate object, the right holder(s) and restrictions (encumbrances) on such rights is generally open to the public and can be provided for a fee in the form of an extract. However, where rights to a real estate property belong to an individual (or individuals), starting from 1 March 2023 such extract will lack the individual’s personal data unless the extract is provided to the individual being the right holder. In a number of cases a complete extract containing personal data (first and foremost, the individual’s name) may be requested through a notary.

Upon completion of the cadastral recording and/or state registration, the registration authority issues an extract from the Register in a statutorily defined form that outlines the cadastral details of the real estate object, certifies by which right the object in question is held by a legal entity or individual, and what encumbrances and/or restrictions, if any, apply to such object.

10.5 What are the foreign currency restrictions affecting payments for leasing and buying real properties?

Under Russian Federal Law No. 173-FZ ‘‘On Currency Regulation and Currency Control’’ dated 10 December 2003 (the ‘‘**Currency Law**’’), as amended, payments for real estate (sale-purchase, lease and other transactions) are permitted both in Russian rubles and in foreign currency, provided that payments in foreign currency meet the requirements for such payments stipulated in the Currency Law and other currency control regulations. Payments between Russian residents can be carried out in rubles only. Where a seller or buyer, or both the seller and the buyer (or the lessor and the lessee) are foreign legal entities, settlements in foreign currency are possible.

However, with effect from March 2022, there are number of additional restrictions affecting, among other things, the procedure for conducting real estate transactions and making payments in connection with such transactions (see Section 7.7 below).

10.6 What is the mortgage of real properties under Russian law?

10.6.1 What are the general principles of mortgages?

A mortgage arises either by virtue of law or by a mortgage agreement. Mortgage rights must be state registered and are invalid without such registration. For practical issues concerning mortgages and foreigners, please refer to section 7.7 below.

According to Federal Law No. 102-FZ ‘‘On Mortgage of Immovable Property’’ dated 16 July 1998, as amended (the ‘‘**Mortgage Law**’’), the following types of real properties/rights can be subject to a mortgage (the list of real properties that can be subject to a mortgage is not exhaustive): land plots, enterprises, buildings, structures and other

immovable property used for business activities, residential houses, structures for personal use[7], aircraft, lessee's lease rights to real properties.

Buildings and structures can only be mortgaged together with the land plots underlying these buildings and structures, or together with the lease rights to such land plots.

The existing mortgage of a land plot is automatically extended to cover a building or structure erected on such land plot by the mortgagor, unless otherwise provided by the mortgage agreement.

The terms and conditions of a mortgage may restrict the owner's or user's capability to dispose of the property, including its contribution to charter capital and/or lease to third parties. The disposal of mortgaged property generally requires the mortgagee's consent unless the mortgage agreement provides otherwise. Notwithstanding such consent, the mortgage survives the change of ownership over the mortgaged property, or the change of holder of such property, unless and until the primary obligation secured by the mortgage is performed. Following this, the property must be released from mortgage. The release of property from mortgage is performed through the procedure of cancellation of the mortgage entry in the Register

10.6.2 What is the procedure for foreclosure on mortgaged property?

There are two types of foreclosures on mortgaged property: in court and out of court.

There are three methods for out-of-court foreclosure: (i) a sale at a public tender; (ii) a sale at an open auction (subject to some exceptions where a sale at a closed auction is also possible); and (iii) appropriation of the mortgaged property by a mortgagee. As a rule, an out-of-court foreclosure should be implemented by auction. Two other options are

7 Such as cottages and garages

available for pledgers engaged in business/entrepreneurial activities[8].

An out-of-court foreclosure on a mortgaged property is prohibited for certain classes of immovable property (such as public-owned immovable properties) or in some other cases[9].

10.7 Are there any restrictions on real estate transactions?

On 2 March 2022, Russia introduced special rules for real estate transactions between Russian residents and foreign legal entities and individuals associated with foreign states that adopted measures targeting Russian legal entities and individuals (so-called Unfriendly States).

Russian residents may only carry out transactions resulting in the change of ownership to real estate assets with (a) counterparties from unfriendly states and (b) persons, including Russian and non-Russian legal entities, controlled by such counterparties ("**Affected Foreign Persons**"), upon obtaining a permit issued by the Governmental Commission for Control over Foreign Investments in the Russian Federation (the "**Government Commission**").

The same regime applies to transactions between Russian residents and foreign persons not affiliated with unfriendly states when such nonaffiliated foreign persons acquired real estate assets from counterparties from unfriendly states after 22 February 2022.

In order to obtain a permit of the Government Commission one should file an application with the Ministry of Finance of the Russian Federation and disclose the nature of the transaction (including its purpose,

8 Starting from 01 September 2024 the right to sell the pledged property to a third person is extended to individuals.

9 Pledged property of significant historical and cultural value; pledged property is pledged to different pledgees to secure different obligations; pledged property is pledged under a preceding and subsequent pledge agreement that provides for different procedures for foreclosure (list is non-exhaustive)

subject of the transaction and the desired term of validity of such permit)[10].

At the moment, there are several exemptions (known as general licenses) that allow some types of transactions (operations) involving Affected Foreign Persons to be performed without obtaining a permit from the Government Commission[11].

Formally, current Russian legislation does not require a permit of the Government Commission for entering into a mortgage agreement. Nevertheless, there have been cases where Russian registration authorities refused to register mortgage agreements in the Register where a party to such agreements.

10 The procedure for obtaining such a permit is described in Resolution of the Russian Government No. 295 dated 6 March 2022.

11 Certain transactions provided that settlements are in rubles to special type «C» accounts or through an account that has been disclosed to the tax authorities; transactions made by Russian financial organizations (banks) controlled by legal entities and individuals from unfriendly states.

11. Privatization

11.1 What is privatization?

Privatization is the sale of publicly owned property to a private owner..

11.2 How is privatization regulated in Russia?

The primary law regulating privatization is the Law ‘‘On Privatization of State and Municipal Property’’ dated 21 December 2001.

11.3 What property is subject to privatization?

As a general rule, any state-owned property may be subject to privatization. However, under Russian law there are exceptions for certain kinds of property such as land, natural resources, property located outside of Russia, etc. Disposing of such property is often subject to separate regulation and there may be special procedures for granting rights to private persons with respect to such excluded property (e.g., licenses for subsoil resources).

In practice, privatization usually entails the sale of shares or equity owned by the Russian state.

11.4 Who acts as the seller of property in a privatization transaction?

The seller is the owner of the property. This may be the Russian Federation, its constituent territory or a municipal unit. Their respective bodies usually represent them, for example, the Russian Federation is represented by the Federal Agency for State Property Management (‘‘Rosimuschestvo’’).

11.5 Who may purchase property in a privatization transaction?

Both Russian and non-Russian individuals and legal entities may participate in privatization, with certain exceptions for the following:

- Russian state- and municipal-owned entities; and

- Offshore companies that do not comply with Russian disclosure requirements with respect to their beneficiaries, beneficial owners and controlling persons (the list of restricted offshore states/ territories is maintained by the Russian Ministry of Finance).

To participate in privatization, all relevant governmental clearances, including anti-monopoly and strategic (foreign investment) clearances, must be obtained when required.

11.6 How is the privatization procedure implemented?

In general, privatization is implemented at the federal level through the following consecutive steps:

- The government of the Russian Federation develops and approves the privatization plan (or program) for a specified period. Certain properties may be privatized without inclusion into the privatization plan by a decision of the Russian Ministry of Finance in accordance with property lists that may be developed by the Federal Agency for State Property Management for a period of 1-3 years.

- The Federal Agency for State Property Management determines the privatization procedure for the relevant property.

- The Federal Agency for State Property Management publishes information on the privatization on the official website[12].

12 https://torgi.gov.ru//.

- Prospective buyers submit their applications and other necessary documentation.

- The winner (buyer of the relevant property) is determined by the Federal Agency for State Property Management based on the submitted applications (in an auction sale, the winner of an auction becomes the buyer of the relevant properties) and a sale and purchase agreement is concluded with the buyer. If a person is recognized as the sole participant in the auction, such person is treated as the winner.

11.7 What are the most common ways of privatizing a publicly owned property?

The most common method of privatization is selling publicly owned property at an auction.

12. Language Policy

Overall, Russian language policy aims to promote the use of Russian as the official state language while also recognizing the right to use other languages. As such, all Russian authorities, as well as companies operating in Russia, must use Russian in their activities.

In certain areas, like advertising, product labelling, etc., it is permitted for the text in Russian to be followed by a translation into another language. However, the size and visibility of the text in a foreign language cannot be greater than the text in Russian.

It is not prohibited to use a foreign language in correspondence or contracts between commercial entities (it does not make them invalid). However, if and when relevant documents are submitted to Russian authorities, banks or courts, they must be accompanied by a translation into Russian. For this reason, it is common for multinationals to prepare dual language documents, in which the text in Russian is placed side-by-side with or followed by a text in another language.

There are exceptions to the mandatory use of Russian, such as trademarks and service marks, and names of foreign companies, which can be used in their original language without a Russian equivalent.

Failure to apply the policy may result in various implications, from refusal to process documents to penalties for entities and individuals breaching the applicable requirements.

Individuals who do not understand Russian have the right to an interpreter in certain situations, e.g., during administrative or criminal proceedings.

There is no single authority responsible for enforcing Russian language policy, and different authorities oversee different aspects of the policy.

13. Contract Law

13.1 Are there any essential contractual terms under Russian law?

Parties entering into a contract must agree on all of its essential terms, as otherwise the contract may be deemed unconcluded.

By default, the subject matter is considered an essential term for any contract, while other essential terms may be provided by law or may be declared by either party as essential. For example, under Russian law, a construction agreement must contain at least the following essential terms: (i) the subject matter; and (ii) the period (deadline) for the performance of construction work.

Parties are free to agree on the terms of a contract at their own discretion, as long as such contractual terms do not contradict any provisions of Russian law.

13.2 Are there any rules for entering into a contract?

The Russian Civil Code specifies various mechanisms for entering into a contract, for example, by signing a single document. Other mechanisms include an offer to enter into a contract and its acceptance, conditional acceptance, an option to enter into an agreement, late acceptance, and the conclusion of contracts at an auction.

When negotiating and entering into a contract, the parties must act in good faith, which includes, among other things, the obligation to provide accurate and complete information required by law or the substance of the negotiated transaction. A party suffering from the other party acting in bad faith may claim compensatory damages from the other party.

13.3 How to secure the proper performance of a contract under Russian law?

Russian law provides for various instruments to secure the proper performance of a contract, including pledge, surety, independent guarantee, earnest money, security deposit, withholding of property, and penalty (fine). The parties are free to agree to any of the above security options, as well as any other mechanism, even if it is not specifically listed in the law, including such security instruments as credit limit management with respect to deferred payment contracts, due diligence, change of control, etc.

13.4 What are the rules relating to the amendment or termination of contracts?

A contract may be amended or terminated by mutual agreement. In addition, a party may unilaterally claim for the agreement's amendment or termination through a court. A party may submit such claim in court if there is either a material breach committed by the other party or a substantial change in the circumstances that formed the basis for the parties to enter into the contract.

Unless otherwise provided by law, a party may also unilaterally amend or terminate a contract if the law or the contract itself establishes such right. Based on the terms of a given contract, a party that unilaterally amends or terminates the contract may have to pay additional compensation to the other party. Please note, however, that in certain cases Russian law protects the rights of the weaker party to a contract and limits the right of the stronger party to unilaterally amend or terminate it(for example, in case of an adherence agreement).

A similar approach has been developed in the practice of Russian courts, whereby the parties cannot agree in their contract on the unilateral amendment or termination of a contract by either party, if such amendment or termination contradicts the law's objectives. For

example, Russian courts have confirmed that a lease agreement concluded for an indefinite period cannot limit the parties' rights to terminate such an agreement because such limitation would effectively lead to the lease agreement becoming interminable.

Based on the same approach, Russian courts have established that the parties cannot agree on a penalty that effectively blocks a party's right to terminate or amend a contract, if such right was established by law. For example, under Russian law, a contractor may unilaterally terminate a service agreement if the contractor compensates the customer's losses. While it is acknowledged under Russian law that the contractor's right to terminate the agreement may be conditioned on the contractor's payment of an additional penalty to the customer, according to Russian courts, such penalty may not constitute an amount that is incomparable to the customer's potential losses. Otherwise, such penalty effectively deprives the contractor of their right to terminate the service agreement as established by law.

13.5 What are the rules relating to the invalidity of contracts?

There are two types of invalid contracts: (a) so-called voidable transactions, which may be declared invalid based on a court decision; and (b) void transactions, which are invalid irrespective of a court decision.

The following limitation periods apply to claims for the invalidation of contracts: (i) for a void transaction, three years from the moment that a party knows or should have known about the transaction; and (ii) one year for a voidable transaction. In any case, the limitation period cannot be more than 10 years from the moment that a party's right has been breached.

Please note that under Russian law, a party acting in bad faith loses its right to claim that a transaction is invalid; for example, if such party

knew the transaction was invalid or its actions demonstrated the intention to maintain the transaction or gave others grounds to believe that the transaction was valid.

Parties to an invalid contract must return everything received under such contract and if the return of particular assets is impossible, e.g., because they were consumed, the parties must compensate their value.

13.6 How can parties limit liability under a contract?

Unless otherwise specified by law or the parties' agreement, a suffering party is entitled to claim for full compensation of its losses and specific performance (if the latter is possible).

In particular, a suffering party may claim compensation for: (i) its actual losses (known as «real damage» under Russian law); (ii) its lost profit caused by the infringing party; and (iii) injury to its business reputation or an individual's moral harm. While in practice compensation for proven actual losses is fully supported by Russian courts, companies often struggle to prove their loss of profit as they cannot prove that they have undertaken all necessary preparations to gain the expected income.

Under Russian law, the business parties to an agreement may agree to limit their liability under the agreement. That is, the company will be liable for any breach of the agreement, but only up to an amount not exceeding the limit set forth in such an agreement (such as the contract price).

Importantly, if the contract limits the party's liability to a very low nominal amount, there is a risk that the court may deem such limitation as essentially an exclusion of liability, which is prohibited under law. In this case, the party's liability will be considered unlimited. In particular, the court may hold that a contract in which one party's liability is many

times less than the amount its counterparty invests in the transaction is too burdensome for such counterparty. Thus, the court may hold that the limitation of liability clause is invalid.

Please note that under Russian law the parties cannot limit the following types of liability:

(1) noncontractual liability (e.g., liability for tort or IP infringement)

(2) liability before third parties that are not parties to the contract
(3) liability for willful breach of the contract

(4) liability for ‘‘harm’’ caused to the person, or the property of an individual, or the property of a legal entity

(5) liability for moral harm (damage to business reputation)

(6) other liability that may not be limited under Russian law. Natural Resources (Oil and Gas / Mining)

14. Subsoil Regulation in Russia

14.1 What is the key feature of subsoil regulation in Russia?

All Russian subsoil resources, including oil, gas, gold and other minerals, unless extracted, are owned by the Russian state, irrespective of who holds the title to the relevant land plot.

Russia has adopted a licensing system. A subsoil license is a permit issued by the Russian state for the exploration and/or extraction of natural resources. As a general rule, a subsoil license grants ownership title to extracted natural resources.

14.2 What is the legal framework for subsoil use?

The core legal act in the mining and oil & gas domain in Russia is the law ''On Subsoil Resources'' dated 21 February 1992 (the ''**Subsoil Law**''). The Subsoil Law establishes the general legal framework for the use of subsoil resources in Russia and covers almost all principal issues connected with the geological survey, exploration and production/mining of underground resources.

The federal law ''On Production Sharing Agreements'' dated 30 December 1995, (the ''PSA Law'') sets forth the legal framework for Russian and foreign investments in the geological survey, exploration and production of subsoil resources.

The federal law ''On Precious Metals and Gemstones'' dated 26 March 1998, (''**Precious Metals Law**'') establishes the general legal framework for the processing, use and disposal of precious metals and stones.

14.3 What types of subsoil licenses can be issued in Russia?

The following types of subsoil licenses are issued in Russia: geological survey licenses (covering prospecting and appraisal activities), exploration and production/mining licenses (covering advanced exploration and production activities), and ‘‘combined’’ licenses (covering both geological survey and exploration and production/mining activities).

14.4 What is the general term of a subsoil license?

A geological survey license may be granted for a maximum period of five years (seven-year geological survey licenses can be granted in certain Russian regions) or 10 years for offshore fields. The term of a license can be extended if needed for completion of the works. Exploration and production/mining licenses and ‘‘combined’’ licenses can be issued for a term equal to the duration of a relevant project.

14.5 Who is in charge of licensing subsoil use?

Subsoil licenses are issued by the Federal Agency for Subsoil Use (‘‘**Rosnedra**’’). Rosnedra is in charge of granting subsoil rights for all onshore deposits, except for ‘‘strategic’’ deposits (please see Section 12.15 below).

14.6 Are there any restrictions applicable to foreign investors on acquiring subsoil licenses in Russia?

Under amendments made to the Subsoil Law in 2022, only Russian companies and individual entrepreneurs may hold subsoil licenses in Russia, though foreign persons may, subject to certain restrictions, participate in operations with Russian deposits under agreements on

service risks (*quasi-operatorship agreements*) to be entered into with Russian subsoil license holders.

14.7 How can a subsoil license be obtained?

Geological survey licenses are issued without a tender or auction based on an application filed by the interested party.

Production/mining licenses and «combined» licenses can be granted through (i) a tender or auction, (ii) under an out-of-auction decree of the Russian Government in certain specific instances (e.g., offshore exploration/production), or (iii) to a holder of geological rights that made a commercial discovery under a geological survey license.

A strategic deposit license may only be issued based on a special decision of the Russian Government. Such a license may also be issued without a tender or auction.

14.8 How can subsoil rights granted under the relevant license be transferred?

Subsoil licenses are generally non-transferable and can only be transferred (subject to approval of state authorities and together all relevant assets and infrastructure required for performance of the license obligations) to another entity in a limited number of instances (e.g., transfers to a subsidiary or a sister/parent company and vice versa, transfers as a result of a spin-off or split-up, or following part of the bankruptcy sale of the license holder's assets).

It could take approximately 140 days to have a subsoil license transferred. The terms of the subsoil use and the license obligations cannot be revised or otherwise amended at the time of the transfer (i.e., the relevant license would be reissued to the transferee on the same terms and conditions as it was granted to the transferor).

14.9 What are «strategic» deposits?

Strategic deposits include (i) subsoil blocks containing specific minerals (uranium, nickel, cobalt, hard rock deposits of diamonds, hard rock (ore) deposits of lithium or the platinum group of metals with certain state registered reserves, etc.), (ii) subsoil blocks containing recoverable oil reserves, gas reserves, hard rock (ore) gold reserves or copper reserves (in each case exceeding a specific amount established by law), (iii) offshore deposits, and (iv) subsoil blocks which can only be developed on land that is used for defense and security. The list (not exhaustive) of strategic subsoil blocks is maintained by Rosnedra and is updated on a regular basis.

14.10 Is the extraction of natural resources under production sharing agreements a viable alternative to a subsoil license?

In Russia, production sharing agreements (PSAs) are used to provide a particular legal framework for foreign investors in the mining, oil, gas and other extraction sectors. The main objective of the PSA legislation is to provide investors in these sectors with greater stability in fiscal and regulatory areas in the long term.

Since 2003, development of a subsoil block under the PSA Law has been available only if the subsoil block was put up for auction and such auction failed. Therefore, the best deposits are distributed under subsoil licenses, and PSAs have been ineffective in terms of attracting foreign investment to Russia.

14.11 Is it possible to export natural gas and lng from Russia?

Gazprom and its wholly owned subsidiaries hold exclusive rights for the export of natural gas. Since 1 December 2013, rights to export

liquefied natural gas (LNG) have been also granted to certain specific categories of exporters matching the criteria established by law (which are strictly observed in practice).

14.12 What is essential to know about precious metals and gemstones?

Under the Precious Metals Law, precious metals include gold, silver, platinum, palladium, iridium, rhodium, ruthenium and osmium; and gemstones include natural diamonds, emeralds, ruby crystals, sapphires, alexandrites, and natural pearl and unique amber formations. Both lists (i.e., of precious metals and gemstones) are exhaustive.

Precious metals, with the exception of native metals, may be refined by organizations included on a special list of companies maintained by the Russian Government. Following the refining process, precious metals may be sold on the domestic market. Export requires a separate export license, which, in practice, is usually granted to banks and major producers. Turnover of precious metals, gemstones and products made of them is monitored in a unified state information system.

The Russian authorities enjoy the right of first refusal to purchase precious metals and gemstones from mining companies. The prices for precious metals in such instances are based on world market prices. The pricing of precious stones is carried out by expert commissions based on world market prices.

A temporary ban is established until 31 May 2025 on the export from Russia of (i) waste and scrap from precious metals or from metals plated with precious metals; (ii) other waste and scrap containing precious metals or precious metal compounds used primarily for the extraction of precious metals; or (iii) waste and scrap from electrical and electronic products used primarily to extract precious metals that are essential to the Russian domestic market.

14.13 Does Russia have any environmental and climate laws affecting the natural resources industry?

Russia has an extensive system of environmental laws and regulations governing air emissions, water discharges and waste generation. For further details on the Russian environmental and climate agenda (including energy efficiency, renewable energy, electric vehicles, and hydrogen) please refer to section 30 (Competition Protection) of this guide.

14.14 Does Russian law incentivize investments in natural resources projects?

Some types of projects in the natural resources field may be eligible for certain incentives in exchange for major capital investments. For further details on the Russian investment incentives regimes please refer to section 6.4 (What special investment incentives are available in Russia?) of this guide.

15. Intellectual Property

15.1 What kinds of intellectual property (IP) are protected under Russian law?

Two general categories of intellectual property enjoy protection under Russian law: (i) so-called results of intellectual activity, protected under patents and by copyright and the related rights, and (ii) means of individualization, protected as trademarks and service marks.

Results of intellectual activity include the following:

- works of science, literature and art;
- software and databases (protected as copyrighted works);
- content of databases, performances, phonograms, radio or television transmissions, and publications (works that have fallen into the public domain but have never been published before) (protected as neighboring rights);
- inventions, utility models, industrial designs (See Section “Patents” below);
- plant and animal varieties;
- topologies of integrated microcircuits; and
- trade secrets (know-how).

Means of individualization of companies, goods, works and services, namely:

- trademarks and service marks; appellations of origin and

geographical indications (See Section “Trademarks and Service Marks” below);

- company names; and
- trade names.

Russian Civil Code does not list domain names among objects of IP. A registered domain name by itself is not considered a prior right impeding the registration of a trademark.

15.2 Patents

In Russia, patents may be obtained with respect to inventions, utility models and industrial designs.

What is an invention?

An invention is a technical solution in any field related to a product (e.g., a device, substance, composition, system, microbial strain or cell culture of plants and animals) or a method/process, including the use for a new purpose of a known product and method. Patent protection is given to an invention if it meets the following criteria: novelty, inventive step (non-obvious from prior art) and industrial applicability. A doctrine of equivalents is applicable for patented inventions in Russia.

The maximum duration of patent protection for an invention is 20 years from the application filing date, subject to payment of annuities. The term of a patent for an invention related to a medicine, pesticide or agrochemical, the use of which is subject to obtaining special permission (marketing authorization), may be extended at the request of the patent owner for a period not exceeding 5 years. Such patent term extension may be granted upon a patent owner’s request and a supplemental patent is granted in the scope covering the corresponding product only.

What is a utility model?

A utility model is a technical solution characterizing a single device only. Utility model protection is similar to that of inventions, with certain limitations and restrictions.

Patent protection is granted to a utility model if it meets the criteria of novelty and industrial applicability, and if it is sufficiently disclosed in the description for its implementation.

The term of a utility model's patent protection is 10 years from the application filing date, subject to the payment of annuities beginning from the first year. One application can cover only one device. It is required to prove the use of each feature of independent claim for patent protection purposes.

What is an industrial design?

An industrial design is an outer appearance solution of a product of industrial or handicraft origin. Patent protection is granted to an industrial design if it meets worldwide novelty and originality criteria. It is permissible to protect patterns and graphical user interfaces as industrial designs. The initial term of validity of an industrial design patent is five years, extendable up to four times for five years (up to 25 years in total).

A priority of an earlier application under the Hague Agreement of International Registrations of Designs may be claimed within 3 months from the date of publication of the international registration in the International Designs Bulletin.

It is also important to note that a single creative concept requirement might be a problem for multi-design applications, as color and size differences are usually considered as a reason for refusal.

How are patentable works protected?

Russia has two valid patent systems for inventions: national and regional.

Under the **national patent system**, a patent application is filed with the Federal Service for Intellectual Property of the Russian Federation (the ‘‘**Rospatent**’’).

The **regional patent system** is based on the Eurasian Patent Convention of 1995, which enables one Eurasian patent to cover eight countries that are members of the Commonwealth of Independent States (CIS). For more information, please visit https://www.eapo.org/en/. The Eurasian patent application is filed with the Eurasian Patent Organization (EAPO), which is located in Moscow, Russia.

Can granted patents be invalidated?

A granted Russian patent can be invalidated on a limited number of grounds, such as:

- incompliance with the patentability requirements established by law;

- insufficient disclosure to enable implementation by a skilled person;

- the granted patent has additional essential features in the claims not disclosed in the initially filed application;

- the patent being issued when there were several applications for identical inventions, utility models or industrial designs with one and the same priority date; or

- the patent indicating as the author or patent holder a person

not being such or without an indication in the patent of the real author or patent holder.

What rights are vested in a patent?

The patent owner has the exclusive right to use an invention, utility model or industrial design that is protected by such patent. Without the patent owner's consent, no one may commercially use a patented object in any way, including importation, manufacture, application, offer for sale, sale or other ways of introducing into commerce, or storage for this purpose.

On 4 April 2024, the Government of the Russian Federation introduced the possibility for Russian companies (with less than 25% foreign-owned shares in the authorized capital) to request a compulsory license to use any patented invention, utility model or design to ensure national economic security, with payment of commensurate reimbursement to the patent owners. Requests for such compulsory licenses may be submitted to a special subcommittee under the Government Commission on Economic Development and Integration after a preliminary request to the patent owner for a voluntary license and in case the latter refuses or fails to respond to the request within 30 days. If the subcommittee grants a compulsory license, the patent owner will be notified as soon as possible and will receive commensurate reimbursement for the use of its intellectual property. At the same time, patentees from unfriendly states will receive reimbursement at the rate of 0.5 % of the actual revenue from patent use to a special "O" bank account.

15.3 Trademarks and service marks

What is a trademark?

Trademarks and service marks (''trademarks'') are designations individualizing goods or services of legal entities and individual

entrepreneurs, as well as of individuals (since 29 June 2023). A word or words, pictures, three-dimensional signs and other designations or combinations thereof may represent a trademark. A trademark may be registered in any color or color combination.

How to get a trademark protected in Russia?

Legal protection for trademarks is granted by virtue of their registration with Rospatent or by virtue of international agreements to which the Russian Federation is a party (e.g., the Madrid System).

Russia is a ''first-to-file'' jurisdiction. Although unregistered designations used as trademarks do not enjoy legal protection, extensive prefiling use may help demonstrate the acquired distinctiveness if the trademark is inherently nondistinctive.

It is advisable to conduct a search among registered trademarks and pending applications covering similar goods and services prior to any use or filing of a trademark for registration.

Russian trademark legislation does not provide for a formal opposition procedure. Third parties may challenge trademarks only after their registration. However, it is possible to submit an informal opposition with objections against granting registration while the undesirable trademark is still pending.

Rospatent examines all applications for compliance with formal and substantive requirements, including the absence of conflict with prior rights. A coexistence agreement with the prior rights holder (or its written consent to registration) may help to overcome a provisional refusal.

What is the effective term of trademark protection?

Trademark protection is granted for 10 years from the filing date of the

application, and may be renewed multiple times during the last year of validity for a subsequent 10-year period. Unless it is renewed, a trademark registration will expire.

Trademark protection may be terminated by the IP Court upon a request from an interested party in respect of all or part of the designated goods and services due to non-use (full or partial) for any consecutive three-year period after the trademark is registered.

Any changes that might affect the registration, such as changes to the name and/or address of the trademark owner, assignments, mergers or other transactions, must be recorded with Rospatent as soon as possible.

How are famous/well-known trademarks protected in Russia?

Extensively used trademarks and unregistered designations may be recognized as well-known marks in Russia. Legal protection of a well-known trademark is perpetual, retrospective and under certain circumstances extending beyond the goods and services for which the registration was originally granted.

Therefore, the procedure of recognizing a trademark as well-known may be used in order to ban the use of identical or confusingly similar trademarks owned by third parties for other goods and services, without the necessity to have the renowned trademark registered in all classes of goods, thus risking cancellation based on non-use.

15.4 How can infringed IP rights be enforced in Russia and what are the available remedies?

Infringement of IP rights may entail civil, administrative or criminal liability.

What civil remedies for IP infringement are available in Russia?

Remedies under civil proceedings include the following:

- recognition of IP rights by the court;

- cessation of the actions that infringe the right or create the threat of such infringement;

- payment of damages or — alternatively, for patent, trademark, appellation of origin, copyright and neighboring rights holders — of statutory compensation in the amount of:

o from RUB 10,000 to RUB 5 million;

o double the value of the counterfeit products — for copyrights, neighboring rights, trademarks and appellation of origin;

o double the amount of royalties that would be due under similar circumstances — for patents, trademarks, copyrights and neighboring rights;

- seizure of storage media containing unauthorized representation of the intellectual property rights;

- publication of a court decision on infringement.

What are the procedures and sanctions applicable in the case of a public prosecution of IP infringement?

Criminal and administrative cases are initiated by the police (criminal cases), the Federal Antimonopoly Service, the Federal Customs Service and other state bodies authorized to investigate IP infringements (administrative cases). As a general rule the rights holder is required to file an application requesting commencement of proceedings with one of the above agencies for a case to be commenced.

To qualify for criminal proceedings, the infringement should result in substantial harm to an IP right owner or consumers. Harm is considered to be substantial if it is equal to or exceeds RUB 500,000 for copyright infringement and RUB 400,000 for trademark infringement. Smaller amounts can also be subject to criminal proceedings if the infringement is repeated. The authority in charge will investigate the case and submit the case files to the court for further consideration and a decision. The decision of the court of first instance may be further appealed in the court of appeals and in the cassation court.

In Russia, legal entities cannot be held liable for a **criminal offense**. Criminal charges may be brought against the director(s)/manager(s) of the entity responsible for the infringement of copyright and neighboring rights, patent, trademarks and appellations of origin. Depending on the scale and gravity of the crime, the court hearing the criminal case may adjudge a punishment in the form of a fine, forced or compulsory work or imprisonment.

Administrative sanctions (fines or confiscation of infringing products) are applicable to both individuals and legal entities. The sanctions applied to legal entities are stricter than those applied to individuals. If a legal entity repeatedly or grossly infringes IP rights, the court may decide to liquidate it.

A civil claim may be filed in a criminal trial, but to obtain damages in case of administrative liability, the IP owner must file a civil lawsuit at the same time.

15.5 What should companies know about IP litigation in Russia?

It is necessary to have all the information and evidence in hand before initiating a court action because:

- there is no discovery;

- courts are not likely to satisfy requests to obtain information from third parties;

- once initiated, the proceedings move quickly;

- in patent disputes, judges rely heavily on forensic examination results, so it is necessary to engage suitable experts for the forensic examination;

Preliminary injunctions are not available as such in Russia, only provisional remedies that are supposed to secure the ‘‘main’’ claim.

IP disputes mostly derive from either invalidity or infringement. The first is not a defense of the latter, since these are two different types of actions that are handled by different authorities. In addition, if a patent or a trademark is invalidated partially or wholly, an infringement court case may be dismissed or reconsidered. The Chamber for Patent Disputes of Rospatent handles invalidity actions, as Russian arbitrazh (state commercial) courts handle IP infringement suits. The Court for Intellectual Property Rights (the ‘‘**IP Court**’’), which has operated in Russia since 2013, currently considers all IP disputes as a third (cassation) court instance or as the first instance court for cases challenging Rospatent’s decisions to invalidate a trademark or patent.

A declaratory judgment for noninfringement is not available in Russia.

15.6 IP Agreements

With the exception of some special IP objects (e.g., appellations of origin, geographical indications or company names), the IP owner may dispose of proprietary (exclusive) rights to IP objects, including by way of assignment or granting of rights to use them to another person. IP assignments and licenses, as well as pledges must be registered with Rospatent. In the absence of such registration, the trademark

assignment, license or pledge would be deemed not concluded and therefore invalid.

From 27 May 2022, there are some limitations for payments under IP license agreements which were imposed by Presidential Decree No. 322 (the ‘‘Decree No. 322’’). The Decree No. 322 applies to payments for using IP that are payable to the right holders from so called unfriendly states (as defined by the Russian authorities) or right holders taking “unfriendly actions” against Russia. All payments due to such foreign right holders under license agreements are payable to special type “O” bank accounts that licensees must open in the name of the licensor in an authorized Russian bank. Authorized banks have the right to open type “O” bank accounts even without the presence of the rightsholder.

Since 20 May 2024 similar restrictions apply to IP assignment deals between IP owners from unfriendly foreign states or those being under control of foreign companies related to unfriendly jurisdictions (as assignors) and Russian residents (as assignees). According to the Presidential Decree No. 430 (the ‘‘Decree No. 430’’):

- Such transactions are subject to the approval by the Government Commission for Control of Foreign Investments.

- Remuneration for the assignment of IP rights from foreign assignors to Russian residents are subject to transfer to special Type ‘‘O’’ bank account.

These restrictions do not apply to deals with value not exceeding 15 mln rubles (or their equivalent in another currency) and to acquisition of copyright to copyrighted works (i.e., scientific, literary and artistic works, sound recordings, and broadcasting).

Foreign IP owners will have the right to withdraw remuneration from type ‘‘O’’ bank account only upon the permission of the Government Commission.

15.7 Who owns the IP rights to employee creations under Russian law?

Generally, an employer obtains proprietary (exclusive) rights to the IP created by an employee strictly within their employment duties. Therefore, to ensure that all proprietary rights are owned by the employer, it is essential to ensure that employment agreements and other relevant documents with Russian developers are drafted in such a way that all proprietary rights in the IP created by the developers are fully and duly vested in the employer and therefore wholly owned by the employer without any limitations or encumbrances.

16. Insolvency

16.1 How can the law be summarized?

In general, Russian insolvency rules are applicable to both companies (corporate insolvencies) and individuals (individual bankruptcies). Separate rules are applied with respect to bankruptcy of core companies, farms, financial organizations (e.g., banks, insurance companies, etc.), strategic enterprises, natural monopoly entities and developers.

Russian insolvency regulations are based on a pro-creditor model creditors enjoy substantial discretion over the debtor's assets and have administration rights in the course of the procedure. Local creditors are reluctant to allow rehabilitation procedures (i.e., financial rehabilitation and external management), so in an overwhelming number[13] of cases the initiation of bankruptcy leads to a bankruptcy liquidation for companies or assets sale for individuals.

16.2 What law applies?

Insolvency and restructuring in Russia is governed by Part I of the Civil Code of the Russian Federation and by Federal Law No. 127-FZ dated 26 October 2002 "On Insolvency (Bankruptcy)" (as amended) (the "Bankruptcy Law"). In addition, there are rules, regulations and guidelines adopted by the federal government, the Ministry of Economic Development and various state bodies (e.g., the Federal Tax Service of Russia).

In the recent years, the Supreme Court of Russia has been playing a significant role in the development and expansion of the insolvency regulations. The Supreme Court issues obligatory overviews of court practice, approves plenary resolutions containing instructions for

13 For instance, by the end of Q2 2024, courts had introduced 2,270 bankruptcy liquidation stages for companies and only 18 rehabilitation stages.

lower courts and resolves specific cases introducing guidelines for similar situations. Previously, this important regulatory function was performed by the High Arbitration State Commercial Court until it was dissolved and replaced by the Supreme Court in 2014.

16.3 What are the requirements to initiate Insolvency?

Any creditor can initiate bankruptcy proceedings, provided the debt owed by the company to such creditor is confirmed by a court decision[14] or an arbitral award, exceeds RUB 2,000,000 and is at least three months overdue. The same is applicable to bankruptcies of individuals with the exception that the debt must exceed RUB 500,000.

Under the Bankruptcy Law, a debtor *must* file an application with the court for its bankruptcy if it is unable to fulfil its outstanding obligations and its overall indebtedness exceeds RUB 2,000,000 for companies and RUB 500,000 for individuals. A distressed debtor *may* initiate bankruptcy proceedings at any time if it reasonably foresees an inability to repay its creditors.

The initiation of bankruptcy proceedings requires a bankruptcy notice in the Federal Bankruptcy Register 15 days prior to initiating such proceedings.

16.4 What are the stages of insolvency?

By default, once the bankruptcy court recognizes the bankruptcy application the debtor company enters the first phase of the procedure, which is called supervision (an introductory stage aimed at assessing the company's financial standing and possibility to overcome crisis).

Other phases, which vary depending on the circumstances of the insolvency, include financial rehabilitation, external management (both are rehabilitation procedures that vary depending on the role

14 Credit institutions and tax authorities may initiate bankruptcy proceedings without a court decision.

of the bankruptcy manager) and bankruptcy liquidation (a winding up stage administered by a court-appointed liquidator that supervises and distributes the estate among the creditors).

As for individuals, the Bankruptcy Law provides only two types of procedures – debt restructuring (the implementation of an approved restructuring plan aimed at repayment of creditors) and assets sale (analogous to the bankruptcy liquidation stage).

Any corporate insolvency or individual bankruptcy may be terminated by means of a settlement, subject to court approval. Once a settlement agreement is concluded and approved by the court, the bankruptcy proceedings are terminated.

16.5 What is the role of bankruptcy manager?

The bankruptcy manager plays an important role in all bankruptcy procedures. The bankruptcy manager analyses the financial standing of the debtor and assess the possibility of restoring solvency (during the supervision stage), makes sure the restructuring plan is complied with (during rehabilitation stages) and administers the bankruptcy estate (during the bankruptcy liquidation stage).

At the same time, the Bankruptcy Law introduces certain checks and balances allowing creditors and the bankrupt debtor to supervise the activities of the bankruptcy manager. If the bankruptcy manager fails to properly perform his duties, creditors/debtor may use certain remedies, such as dismissal of the bankruptcy manager or claiming damages.

16.6 When may transactions be challenged?

The Bankruptcy Law allows one to challenge (claw back) transactions made by the debtor prior to the bankruptcy proceedings either based on specific clawback grounds or pursuant to the general provisions of

the Civil Code of the Russian Federation:

(a) **Voidable preference.** Transactions/payments entered into within one month prior to the acceptance of the bankruptcy application by the court or afterwards, aimed at establishing the priority of one creditor over the others, may be challenged. Transactions/payments may be challenged within a period of six months if, apart from undue preference, the creditor was aware of the indications of insolvency of the debtor.

(b) **Unequal consideration.** Transactions under which the debtor received unequal consideration (e.g., the value of received assets deviated from the value of comparable assets on the market) may be challenged. The clawback period for this type of transaction is one year before the acceptance of the bankruptcy application by the court.

(c) **Detrimental transactions.** Transactions executed by the debtor within three years prior to the acceptance of the bankruptcy application are subject to clawback if the following circumstances are met: (a) the purpose of the transaction was to cause harm to the creditors' rights; (b) the transaction has actually caused harm to the creditors' rights; and (c) the counterparty knew or should have known about the detrimental purpose of the transaction.

(d) **Bad-faith transactions.** Transactions executed by the parties in violation of a general good-faith requirement are considered void. To invalidate such transactions, one has to prove deliberate bad-faith actions were extraordinary and were deliberately aimed at causing harm to the debtor's creditors.

16.7 How are creditors paid in insolvency?

Under the Bankruptcy Law, upon the commencement of the bankruptcy liquidation, all claims are repaid pursuant to the statutory priority

ranks. In general, there are three basic priorities of claims: (1) current claims (highest priority); (2) registered claims (repaid after the current claims); (3) subordinated claims (the lowest priority).

In turn, each priority comprises certain ranks. The current claims comprise five ranks, registered claims include three ranks and subordinated claims may also be divided into three ranks. The higher the rank, the higher the priority a creditor has.

16.8 What are the grounds for the secondary liability of controlling persons?

Secondary liability is a type of tort claim that may be filed by creditors/ bankruptcy manager against the controlling persons of a bankrupt debtor (i.e., management, shareholders, direct/indirect beneficiaries). The Bankruptcy Law recognizes the following types of "torts" that cause secondary liability:

(a) **Failure to commence voluntary bankruptcy proceedings of the debtor.** The general manager is required to file a voluntary bankruptcy application with the court within one month after the onset of objective insolvency (i.e., failure of the company's assets to cover the outstanding liabilities). If the director fails to do so, the responsibility to initiate voluntary bankruptcy proceedings falls onto the shareholders and other controlling persons. If the general manager and/or shareholders fail to initiate insolvency proceedings, they are obliged to compensate all unpaid claims that emerged after the onset of objective bankruptcy.

(b) **Actions/omissions that caused the bankruptcy of a debtor.** If the actions or omissions of the controlling persons resulted in the debtor's bankruptcy, these persons may be held secondarily liable. In this case, the controlling persons are obliged to cover all creditors' claims remaining unpaid at the end of the bankruptcy proceedings.

From the practical standpoint, despite being recognized as an exceptional measure that should not interfere with the business judgement rule, secondary liability is a widely used mechanism and secondary liability proceedings take place in almost every bankruptcy case.

16.9 What are the recent regulatory trends?

The most recent regulatory trend is an attempt to expand the jurisdiction of the Russian bankruptcy courts and bankruptcy managers over foreign debtors and their assets. This approach echoes the logic of the UNCITRAL cross-border model and allows local courts to recognize jurisdiction over the whole foreign company (main proceedings) or solely with respect to its local assets (non-main proceedings). Notably, it is presumed that the main proceedings have a cross-border effect. This means that a court-appointed bankruptcy manager may act on behalf of the company in other jurisdictions (provided, of course, the main bankruptcy status is recognized in the relevant state).

Another trend is a continual effort by the legislator to simplify administration and to facilitate the completion of bankruptcy cases[15]. For instance, in 2024, the legislator introduced a new mechanism for the recognition of creditors' claims within bankruptcy proceedings. Before, each creditor's application was subject to a court hearing and it could take a number of such hearings for the bankruptcy court to recognize or dismiss a given claim. Now, by default, the bankruptcy courts consider creditors' applications without a hearing. The eventual ruling may be appealed with the appellate (second tier) and cassation (third tier) court.

15 According to the latest official statistics prepared by the Federal Bankruptcy Register, the average length of a bankruptcy liquidation stage is 3.2 years.

17. Natural Resources (Oil and Gas, Mining)

17.1 What is the key feature of subsoil regulation in Russia?

All Russian subsoil resources, including oil, gas, gold and other minerals, unless extracted, are owned by the Russian state, irrespective of who holds the title to the relevant land plot.

Russia has adopted a licensing system. A subsoil license is a permit issued by the Russian state for the exploration and/or extraction of natural resources. As a general rule, a subsoil license grants ownership title to extracted natural resources.

17.2 What is the legal framework for subsoil use?

The core legal act in the mining and oil & gas domain in Russia is the law ''On Subsoil Resources'' dated 21 February 1992 (the ''**Subsoil Law**''). The Subsoil Law establishes the general legal framework for the use of subsoil resources in Russia and covers almost all principal issues connected with the geological survey, exploration and production/mining of underground resources.

The federal law ''On Production Sharing Agreements'' dated 30 December 1995, (the ''**PSA Law**'') sets forth the legal framework for Russian and foreign investments in the geological survey, exploration and production of subsoil resources.

The federal law ''On Precious Metals and Gemstones'' dated 26 March 1998, (''**Precious Metals Law**'') establishes the general legal framework for the processing, use and disposal of precious metals and stones.

17.3 What types of subsoil licenses can be issued in Russia?

The following types of subsoil licenses are issued in Russia: geological survey licenses (covering prospecting and appraisal activities), exploration and production/mining licenses (covering advanced exploration and production activities), and ‘‘combined’’ licenses (covering both geological survey and exploration and production/ mining activities).

17.4 What is the general term of a subsoil license?

A geological survey license may be granted for a maximum period of five years (seven-year geological survey licenses can be granted in certain Russian regions) or 10 years for offshore fields. The term of a license can be extended if needed for completion of the works. Exploration and production/mining licenses and «combined» licenses can be issued for a term equal to the duration of a relevant project.

17.5 Who is in charge of licensing subsoil use?

Subsoil licenses are issued by the Federal Agency for Subsoil Use (‘‘**Rosnedra**’’). Rosnedra is in charge of granting subsoil rights for all onshore deposits, except for ‘‘strategic’’ deposits (please see Section 1.9 below).

17.6 Are there any restrictions applicable to foreign investors on acquiring subsoil licenses in Russia?

Under amendments made to the Subsoil Law in 2022, only Russian companies and individual entrepreneurs may hold subsoil licenses in Russia, though foreign persons may, subject to certain restrictions, participate in operations with Russian deposits under agreements on service risks (*quasi-operatorship agreements*) to be entered into with Russian subsoil license holders.

17.7 How can a subsoil license be obtained?

Geological survey licenses are issued without a tender or auction based on an application filed by the interested party.

Production/mining licenses and «combined» licenses can be granted through (i) a tender or auction, (ii) under an out-of-auction decree of the Russian Government in certain specific instances (e.g., offshore exploration/production), or (iii) to a holder of geological rights that made a commercial discovery under a geological survey license.

A strategic deposit license may only be issued based on a special decision of the Russian Government. Such a license may also be issued without a tender or auction.

17.8 How can subsoil rights granted under the relevant license be transferred?

Subsoil licenses are generally non-transferable and can only be transferred (subject to approval of state authorities and together all relevant assets and infrastructure required for performance of the license obligations) to another entity in a limited number of instances (e.g., transfers to a subsidiary or a sister/parent company and vice versa, transfers as a result of a spin-off or split-up, or following part of the bankruptcy sale of the license holder's assets).

It could take approximately 140 days to have a subsoil license transferred. The terms of the subsoil use and the license obligations cannot be revised or otherwise amended at the time of the transfer (i.e., the relevant license would be reissued to the transferee on the same terms and conditions as it was granted to the transferor).

17.9 What are "strategic" deposits?

Strategic deposits include (i) subsoil blocks containing specific minerals

(uranium, nickel, cobalt, hard rock deposits of diamonds, hard rock (ore) deposits of lithium or the platinum group of metals with certain state registered reserves, etc.), (ii) subsoil blocks containing recoverable oil reserves, gas reserves, hard rock (ore) gold reserves or copper reserves (in each case exceeding a specific amount established by law), (iii) offshore deposits, and (iv) subsoil blocks which can only be developed on land that is used for defense and security. The list (not exhaustive) of strategic subsoil blocks is maintained by Rosnedra and is updated on a regular basis.

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Gazprom and its wholly owned subsidiaries hold exclusive rights for the export of natural gas. Since 1 December 2013, rights to export liquefied natural gas (LNG) have been also granted to certain specific categories of exporters matching the criteria established by law (which are strictly observed in practice).

17.12 What is essential to know about precious metals and gemstones?

Under the Precious Metals Law, precious metals include gold, silver, platinum, palladium, iridium, rhodium, ruthenium and osmium; and gemstones include natural diamonds, emeralds, ruby crystals, sapphires, alexandrites, and natural pearl and unique amber formations. Both lists (i.e., of precious metals and gemstones) are exhaustive.

Precious metals, with the exception of native metals, may be refined by organizations included on a special list of companies maintained by the Russian Government. Following the refining process, precious metals may be sold on the domestic market. Export requires a separate export license, which, in practice, is usually granted to banks and major producers. Turnover of precious metals, gemstones and products made of them is monitored in a unified state information system.

The Russian authorities enjoy the right of first refusal to purchase precious metals and gemstones from mining companies. The prices for precious metals in such instances are based on world market prices. The pricing of precious stones is carried out by expert commissions based on world market prices.

A temporary ban is established until 20 November 2024 on the export from Russia of (i) waste and scrap from precious metals or from metals plated with precious metals; (ii) other waste and scrap containing precious metals or precious metal compounds used primarily for the extraction of precious metals; or (iii) waste and scrap from electrical and electronic products used primarily to extract precious metals that are essential to the Russian domestic market.

17.13 Does Russia have any environmental and climate laws affecting the natural resources industry?

Russia has an extensive system of environmental laws and regulations

governing air emissions, water discharges and waste generation. For further details on the Russian environmental and climate agenda (including energy efficiency, renewable energy, electric vehicles, and hydrogen) please refer to section 25 (Competition protection) of this guide.

17.14 Does Russian law incentivize investments in natural resources projects?

Some types of projects in the natural resources field may be eligible for certain incentives in exchange for major capital investments. For further details on the Russian investment incentives regimes please refer to section 17.8 of this guide.

18. Power

18.1 Russian power market structure.

The Russian power market has a two-tier structure:

- *Wholesale power and capacity market (the ''WPCM'')* where power producers of more than 25 megawatts sell power and capacity to major consumers, utilities[16] and grid operators[17]. Power is traded via spot market and bilateral agreements. Capacity is traded separately from power via various types of capacity supply agreements and auctions.

- *Retail power markets* where (i) utility companies resell power purchased on the WPCM to retail corporate and individual consumers and (ii) power producers of less than 25 megawatts sell power to utilities, consumers or local grid operators.

Geographically, the Russian power system is divided into three types of zones:

- *WPCM price zones* stretch across the European part and the Urals (zone 1) and the western part of Siberia (zone 2). Power prices within the pricing zones are generally unregulated.

- *Non-WPCM price zones* include Kaliningrad, Arkhangelsk, Komi and the southern part of the Far Eastern regions[18]. Such zones imply certain pricing regulation.

- *Isolated territories* include large parts of Siberia and the Far East technologically disconnected from Russia's national grid. Power prices in isolated territories are state regulated.

16 Including independent utilities and guaranteeing suppliers (last-resort suppliers). The last-resort suppliers are required by law to enter into a power purchase (supply) agreement with any customer.

17 Grid operators cannot sell power and may only purchase it for their own needs and to compensate for their grid losses. Grid operators with the status of guaranteeing suppliers (last-resort suppliers) may also purchase power to perform their obligations under power supply agreements.

18 Some of which are expected to join the WPCM.

The Russian power grid is linked with the power systems of some other CIS countries. Russia aims to establish a common power market with Belarus effective 1 January 2025. There are also efforts to establish a common power market within the Eurasian Economic Union.

18.2 Regulatory framework.

The Russian power industry is heavily regulated by multiple laws and regulations adopted by the Russian Government, and supervised by various executive authorities such as the Ministry of Energy, Ministry of Economic Development and Ministry of Trade and Industry.

18.3 Infrastructure players.

The following organizations are responsible for the technological and commercial operation of the WPCM:

- *Market Council* supervises the operation of the WPCM, and develops and updates WPCM documents;

- *Administrator of Trading System (the ‘‘ATS’’)* administrates the WPCM and facilitates trades on standard terms by bringing together sellers and purchasers;

- *Center for Financial Settlements* acts as an intermediary for payments in the WPCM;

- *System Operator* exercises centralized operational-dispatch management of the Russian Unified Power System and auctions the rights to enter into certain capacity supply agreements;

- *Federal Grid Company* transmits power via the Russian unified grid.

18.4 WPCM entry.

Access to the WPCM requires a number of steps, such as (i) becoming a member of the Market Council; (ii) executing the WPCM accession agreement; (iii) registering a group of power delivery points with a capacity of at least 5 MW; (iv) equipping each group of delivery points with an automated power metering system.

18.5 Retail market entry.

Retail markets have no particular entry criteria. However, some activities are subject to certain requirements - for instance, for renewable power projects intended to enjoy special tariffs when selling power to local grid operators.

18.6 Export of power.

Russian law does not impose any restrictions on participants of the WPCM performing export-import operations. However, in practice, obtaining the right to sell electricity outside Russia has proven to be problematic due to the implicit export monopoly of the state-controlled open joint-stock company Inter RAO UES. The procedure for obtaining the status of export company involves a certain degree of discretion by the Market Council.

18.7 Clearances and restrictions for foreign investors.

Foreign investors may also be subject to antimonopoly, ‘strategic’ investment and other general clearances and restrictions. Please refer to Section 3, 13, 16 for details.

18.8 Investment incentives.

A number of stimulus measures are available and being developed to

incentivize business to invest in power greenfields and modernization projects, such as:

- *WPSM Capacity Auctions.* Winners of such auctions may enter into long-term capacity supply agreements to sell the capacity of their power facilities, which they have a certain time to construct or modernize and which will give a guaranteed rate of return on investment under the auction terms.

The ATS administrates such auctions, which are used to provide incentives for, inter alia: (i) construction of wind, solar and small-scale hydro power generation (the "capacity supply agreement for renewable energy sources" scheme or CSA RES); (ii) construction of generating plants producing power sourced from municipal solid waste (the CSA MSW scheme); (iii) modernization of conventional power plants.

- *Retail market incentives for renewables.* Renewable power producers with a capacity up to 25 megawatts may sell power to local grid operators. Such operators are legally required to purchase that power to compensate for their grid losses on a first-priority basis under regulated tariffs that aim to ensure recoupment of investments over 15 years with a 12% return rate.

- *Corporate PPAs.* Power producers may enter into bilateral power purchase agreements with corporate buyers subject to certain requirements and limitations.

- *Energy attribute certificates (guarantees of origin).* Renewable and large hydro or nuclear power producers may issue and sell such certificates to monetize the "green attributes" of such power.

- *Climate projects.* Some types of renewable and conventional power projects (such coal-to-gas switch) may qualify as climate projects eligible to issue and sell carbon credits.

- *Microgeneration.* Owners of microgeneration facilities[19], including renewables-based, sell the excess (unused) electricity generated by such facilities to retail purchasers. The revenues from such sale are exempt from personal income tax.

- *General investments incentives.* Russian law provides for a variety of investment agreements (such as investment protection and promotion agreements and PPP agreements), numerous special economic and other zones (such as the Artic Zone of the Russian Federation), tax and other benefits for major capital investments, including in the power sector. Please refer to Section 6 for details.

19 Key features of the microgeneration facilities are: capacity of up to 15 kilowatts, technological connection to power grid of up to 1,000 volts, and usage for individual household consumption, business needs and sale under retail market rules.

19. Insurance in Russia

19.1 What law regulates insurance in Russia?

Insurance in Russia is mainly governed by Chapter 48 (Articles 297-970) of the Civil Code of the Russian Federation (the ‘‘**Civil Code**’’) and Federal Law No. 4015-1 «On the Organization of the Insurance Business in the Russian Federation» dated 27 November 1992, as amended (the ‘‘**Insurance Law**’’). The activities of insurance companies are currently regulated by the Central Bank of Russia (the ‘‘**Bank of Russia**’’), which is responsible for issuing, suspending and withdrawing insurance licenses as well as monitoring insurers’ compliance with applicable regulations.

19.2 What are the basic provisions of insurance law in Russia?

In Russia, insurance relationships between an insurer and a policyholder arises from an insurance contract which often takes form of an insurance policy (either a single document or a set of documents including the policy itself and applicable terms of the insurer). Insurance rules developed by an insurer may form part of an insurance contract provided that they are included in this contract or attached to it[20].

Under an insurance contract, the policyholder pays the insurance premium to the insurer while the insurer undertakes to pay an insurance indemnity upon occurrence of a covered insured event to the insured (which may or may not be the policyholder depending on the type and terms of insurance) or any other beneficiary. The risks can be covered by several insurers (co-insurance) or reinsured by other insurance companies in full or in part (reinsurance).

Russian legislation establishes certain risks which cannot be covered

20 The policyholder’s acceptance of the insurance rules is to be confirmed by the relevant provision in the insurance contract.

by insurance such as unlawful interests, losses from participation in games, lotteries and betting, or expenses related to ransom payments for hostages (Article 928 of the Civil Code). Moreover, the law exempts the insurer from paying insurance indemnity if the insured event was caused:

- intentionally by the policyholder, insured party or beneficiary (Article 963 of the Civil Code), subject to several exceptions[21];

- by the effects of a nuclear explosion, radiation or radioactive pollution, military operations or civil war, unless agreed otherwise by the parties (Article 964 of the Civil Code).

Unless the parties agree otherwise, upon the payment of an insurance indemnity the insurer takes the place of the policyholder (beneficiary) with regard to the right of claim against the person responsible for the losses incurred (subrogation, Article 965 of the Civil Code).

19.3 What are the types of insurance in Russia?

Russian law provides for two basic types of insurance: personal insurance (life, health and medical insurance) and proprietary insurance (insurance of property, liability insurance and business risk insurance), which are governed by Articles 929-934 of the Civil Code.

Other specific types of insurance include import credit insurance and export credit and investment insurance against business and/or political risks which are governed by rules adopted by the Government of the Russian Federation[22]. Protection against these risks is provided by the Russian Agency for Export Credit and Investment Insurance.

21 For instance, the insurer is not exempt from liability under civil liability insurance contract for harm caused to life and health. By contrast, in maritime insurance the exemption will also apply in case of gross negligence.

22 Resolution of the Government of the Russian Federation of 22 November 2011 No. 964, as amended, Resolution of the Government of the Russian Federation of 23 April 2022 No. 750.

Russian legislation also distinguishes between voluntary and obligatory insurance. Obligatory insurance comprises, for instance, civil liability insurance of vehicle owners, deposit insurance, life and health insurance of police officers and other types of insurance as prescribed by law.

19.4 Who can conduct insurance activities in Russia?

Pursuant to the Insurance Law, insurance activities in Russia can be conducted by insurance and reinsurance companies, mutual insurance companies and insurance brokers, provided that they have received a license from the Bank of Russia. Intermediary insurance activities can also be conducted by insurance agents, actuaries and other actors that do not require a license.

The major insurance companies in the Russian market currently are SOGAZ, Ingosstrakh, Alfa Insurance, RESO-Garantiya, Renaissance Insurance, Zetta Insurance and several others.

19.5 Can a foreign insurance company conduct insurance activities in Russia?

Foreign insurance companies can carry out insurance activities in Russia and act as an insurer via one of following options:

- as a foreign investor by setting up a Russian company;

- by opening an accredited branch office in Russia (applicable to foreign insurers from WTO member states).

Accessing the Russian insurance market by setting up a Russian company (if it is a subsidiary or if more than 49% of its charter capital belongs to a foreign investor) is possible only if the foreign investor has been operating as an insurance company in the foreign country

for at least five years (Article 6(4) of the Insurance Law). To operate a Russian company is required to receive a license.

Moreover, such companies are not allowed to provide certain types of insurance such as: life, health and property insurance of citizens with state or municipal salaries, insurance related to state or municipal procurement contracts, and insurance of proprietary interests of state and municipal organizations (Article 6(3) of the Insurance Law)[23].

To open an accredited branch office in Russia and carry out insurance activities via this branch, a foreign insurance company must be registered in a WTO member state, obtain a license from the Bank of Russia and comply with certain requirements[24] (Articles 33.1-33.2 of the Insurance Law).

Business activities of foreign insurance companies in Russia are subject to a set of restrictions: they cannot provide mandatory insurance coverage, insurance related to state or municipal procurement contracts, or several other types of insurance (Article 6(3) of the Insurance Law).

It is worth noting that foreign reinsurers not licensed locally may still provide reinsurance services for Russian insurers without obtaining a license in Russia. In reinsurance matters, Russian insurers have traditionally worked closely with foreign reinsurers, namely Munich Re, Hannover Re and Lloyd's of London. Most foreign reinsurers, however, have suspended their activities in Russia.

An insurance company that intends to reinsure risks, irrespective of whether the reinsurer is a Russian or non-Russian company, is

23 These restrictions do not apply to companies that were established before 22 August 2012 and at that moment had the right to conduct the restricted insurance activities.

24 For instance, a foreign insurance company must have had the right to provide the same types of insurance that it intends to provide in Russia in the WTO member state it is registered in for at least eight years (for life insurance) or five years (for other types of insurance and/or reinsurance); have at least five years' experience providing such types of insurance through its branches in other countries; have assets worth at least USD 5 billion; and not be registered in an offshore jurisdiction.

required to offer 50% of the risks it wants to reinsure to the Russian National Reinsurance Company (RNRC) that has the right to accept the risks, lessen the percentage of the risks accepted, or refuse to accept the risks for reinsurance, subject to several exceptions.

19.6 What are the special economic measures in the sphere of insurance?

Until 31 December 2024, Russian insurers are prohibited from entering into transactions with insurers, reinsurers and insurance brokers that are residents of unfriendly states or are controlled by residents of unfriendly states, save for transactions related to the export of food and mineral fertilizers (Federal Law No. 55-FZ dated 14 March 2022, as amended). The ban also applies to the transfer of funds under contracts concluded before the entry into force of this law. In exceptional cases such transactions can be carried out on the basis of a permit issued by the Bank of Russia[25].

In addition, restrictions are established by Presidential Decree No. 737 dated 15 October 2022 with regard to transactions that directly or indirectly entail the establishment, change or termination of rights of possession, use and/or disposal of more than 1% of shares or participation interest in the charter capital of a Russian insurer, or of more than 1% of votes attributable to such shares or participation interest if at least one of the parties (beneficiaries) to the transaction is a resident of an unfriendly state. Such transactions, save for certain exceptions, require permission from the Government Commission for Foreign Investment Control in the Russian Federation.

25 As clarified by the Bank of Russia, the receipt by Russian insurers of funds from residents of unfriendly states is not prohibited and the set-off between insurance premium and insurance indemnity does not require any special permission (Information Letter of the Bank of Russia No. IN-018-53/71 of 20 May 2022).

20. Telecommunications, Information Technologies & Mass Media

20.1 Telecommunications

20.1.1 Is a license required for providing communication services?

Yes. Telephone communication services, personal calling services, data transmission services, telematic services, as well as other types of communication services (with some exceptions) are subject to mandatory licensing.

20.1.2 Do any local storage obligations apply to communications providers?

Yes, communications providers must store user metadata locally in Russia for three years after activities cease. Additionally, they must retain the content of text messages, voice data, images, sounds, and video for up to six months after activities cease.

20.1.3 Are there any legal interception rules for telecom providers?

Telecommunications providers are required by law to assist the state authorities in criminal investigations by providing client and service information, including information specified in Section 20.1.2 above.

For this purpose, technical equipment for intercepting and managing communications (known as "**SORM**") is installed at a provider's premises. SORM allows the authorities to remotely control communications without the provider's involvement.

20.1.4 What technical regulation requirements apply?

All communications devices used in communications networks are subject to a compulsory confirmation procedure. Depending on the type of device, this is done by either compulsory certification or compulsory declaration of conformity.

It is impossible to import telecommunications equipment that is subject to the compulsory confirmation procedure and will be sold or used in the Russian Federation without the relevant declaration/certificate (as applicable), because this document is required for customs clearance of the equipment.

Applications for certificates of compliance may be submitted only by the manufacturers or sellers. Declarations of conformity may be made, however, only by manufacturers or sellers if registered in Russia, or by a Russian company (individual entrepreneur) authorized by the manufacturer to ensure compliance of the equipment with the applicable regulations.

Breaking certification rules for communications equipment carries penalties. Using uncertified equipment in networks where certification is mandatory results in an administrative fine and possible confiscation of the equipment.

20.1.5 How does Russian law regulate information infrastructure?

State bodies and state enterprises, Russian companies and/or individual entrepreneurs who own/lease/legally possess information systems, information and communications networks, and automated management systems in sectors such as health, science, transportation, energy, banking, defense, and others are considered owners of critical information infrastructure.

Critical information infrastructure ("**CII**") includes information systems, information and communications networks, automated management systems and telecommunications networks used to support interaction among the said objects.

Owners of CII must categorize their CII components based on criteria such as social, political, economic, ecological, and security importance. For CII of high importance (categorized as "significant") the owners must establish and maintain a security system.

Entities operating CII must notify the competent authorities of computer incidents that affect their CII.

From 1 January 2025, such entities will not be allowed to use cybersecurity equipment and cybersecurity services that originated from unfriendly states on their CII.

20.1.6 How does Russian law regulate the internet?

Russia has special regulations aimed at maintaining the sustainable, secure and integrated functioning of the internet in Russia.

Russian law imposes a number of sustainability measures on internet access service providers, owners of technological communications networks, owners of IXPs[26], owners of telecommunication lines crossing the Russian border, and other persons with their own ASNs (Autonomous System Number).

For example, Russian internet access service providers must install certain control features on telecommunications equipment – special technical tools to protect against threats to the sustainability, security and integrity of the internet in Russia. In case of such threats, Roskomnadzor can centrally manage public networks through these

26 IXP – internet exchange point, a set of hardware and software, and/or communications constructions, that provides its owner or other holder with the ability to connect and transmit traffic between communications networks if the owner or other holder of the communications networks has an ASN.

control features or by giving mandatory instructions to any of the abovementioned entities.

20.2 Information technologies

20.2.1 How does Russian law regulate foreign IT entities doing business in Russia?

The Federal Law ‘‘On the Activities of Foreign Entities on the Internet in the Territory of the Russian Federation’’ dated 1 July 2021 provides for a number of obligations applicable to multinationals conducting activities in the Russian part of the internet (“Runet”).

The law aims to ensure equal conditions for the operations of Russian and foreign legal entities in Russia.

It applies to owners of large online resources (web sites, web pages, programs) with an audience of more than 500,000 users per day in Russia, which publish information in the Russian language (or any local language of the Russian Federation) or advertisements aimed at Russian consumers, or collect data about users located in Russia, or receive money from Russian individuals or legal entities. Besides, it applies to a limited number of persons determined by Roskomnadzor (hosting providers, advertising systems, information distribution operators).

Such multinationals must establish a physical presence in Russia in the form of either a local subsidiary (i.e. a separate legal entity) or a branch or representative office. In addition, such multinationals are also required to (i) register an account with Roskomnadzor and use it to formally communicate with the Russian authorities; and (ii) set up a special electronic form on their information resource for Russian users.

20.2.2 How does Russian law regulate internet communication services?

Providers of internet communications services (any online services having user-to-user communication tools) registered in Roskomnadzor's "register of information distribution organizers" must store user metadata in Russia for one year, and the message content for six months and, at the request of criminal investigation authorities, disclose such information.

They must also ensure that their software and hardware tools comply with statutory requirements, facilitate access to information for law enforcement bodies, and assist them in decrypting messages if encryption is used.

If a communication service is a private messaging app, in addition to the above the owner of the service must identify the users via the mobile provider and ensure the sending of statutory required messages in particular scenarios.

20.2.3 How does Russian law regulate hosting providers?

Hosting providers in Russia must install SORMs on their equipment and cooperate with the law enforcement agencies. They are also subject to regulation aimed at maintaining the sustainable, secure and integrated functioning of the internet in Russia.

In addition, when providing services, they must identify their clients.

Compliant hosting providers are included into the register of hosting providers. Hosting providers that are not in the register are not allowed to provide hosting services.

20.2.4 How does Russian law regulate social networks?

Large social networks accessed by more than 500,000 users from Russia a day targeting Russia are required to proactively monitor certain categories of illegal content. Once the social network owner detects illegal content, it is required to immediately block such content.

They also must publish transparency reports on reviewed requests regarding distribution of prohibited content and the results of monitoring on an annual basis.

In addition, the law establishes various other requirements for owners of social networks, such as requirements to implement and use a special counter to track the number of visitors, to set up an electronic form for submitting takedown requests, and to bring the terms of use into line with the requirements of the law.

20.2.5 How does Russian law regulate operators of search engines?

Operators of search engines distributing ads on the internet targeting Russian consumers, at the request of an individual must ensure their “right to be forgotten” and delete certain information related to such individual as provided by law.

20.2.6 How does Russian law regulate the distribution of news on the internet?

The owners of large news aggregators accessed by more than 1,000,000 internet users a day targeting Russia are required to comply with content restrictions, check the accuracy of publicly important data prior to distributing such data, and immediately stop distributing data upon requests from competent state authorities.

Roskomnadzor maintains a register of news aggregators.

Only a Russian legal entity without foreign control or a Russian citizen may own a news aggregator.

20.2.7 How does Russian law regulate the provision of audio and visual content?

Owners of large audiovisual services (online cinemas) accessed by more than 100,000 users from Russia in a day and targeting Russian consumers must comply with content restrictions, mark audiovisual content with an age rating sign and ensure distribution of mandatory Russian TV channels on their platforms.

More importantly, Russian law restricts foreign control over/ shareholding in audiovisual services.

All audiovisual services are included in a register maintained by Roskomnadzor.

Within two months of inclusion in the register, the owner of an audiovisual service must submit documents to Roskomnadzor confirming its compliance with the foreign control restrictions.

20.2.8 How does Russian law regulate VPNs, anonymizers and similar online tools?

In Russia, distributing certain types of information online is prohibited, and the authorities can block access to sites that violate these laws. While internet access service providers are required to enforce such blocking, tools like anonymizers and VPNs can help users bypass the restrictions.

The Russian law does not fully prohibit all anonymizers, VPNs or other similar tools (further together called VPNs). At the same time, the owners of communications networks and VPNs must ensure that

such networks and VPNs do not provide access to content prohibited in Russia.

If a VPN is not compliant, hosting providers, internet access service providers as well as other persons enabling placement of VPNs on the internet (including application stores) must block distribution of such VPNs upon Roskomnadzor's takedown requests.

The above-described regulation does not apply to corporate VPNs that are used by a predetermined group of users for the technological purpose of maintaining the operations of the VPN owner.

20.2.9 What kind of content is restricted for distribution in Russia?

In Russia there is an extensive list of content that is restricted for distribution. In addition to content restricted in most countries (e.g., child pornography, suicide calls, extremist materials, copyright infringement, etc.), Russia has a number of specific restrictions related to social and political content, such as:

- LGBTQ+ and child-free content,

- "fake news" that can cause harm to public safety, or related to the Armed Forces of the Russian Federation, etc.

- information expressing disrespect towards society, state authorities, etc.

The owner of an information resource may be fined for the distribution of restricted content, and the webpage (or the website or online resources in general) can be blocked.

Hosting providers, internet access service providers as well as "other

persons enabling placement of content on the internet" can also face administrative charges if they do not ensure the blocking of restricted content upon Roskomnadzor's takedown requests.

20.2.10 Are there any AI-related regulations in Russia?

At the moment, Russia does not have a separate law regulating AI. However, there are separate acts providing for the introduction of experimental legal regimes in the field of AI in certain regions, industries and areas of the economy.

In addition, a law regulating the use of recommender technologies in online services has been adopted in 2023. The owners of online resources implementing such technologies must, among other things, inform users on the use of such technologies and develop terms of use for recommender technologies.

Also, a bill regulating the use of deepfakes has recently been introduced in the State Duma.

20.3 Mass media regulation

20.3.1 Is mass media subject to registration?

Yes, all mass media – including printed periodicals, web periodicals, TV and radio channels, TV programs, radio and video programs, newsreel programs, and other forms of regular distribution of mass information under a permanent name – are subject to registration.

20.3.2 Is broadcasting activity subject to licensing?

Russian legislation distinguishes between broadcasting itself and the provision of telecommunication services for the purposes of cable or wireless broadcasting. Each activity requires a separate license — a mass media license and telecommunications license.

20.3.3 Can a foreign entity own or control mass media in Russia?

Foreign states and entities, as well as entities under their control, face strict limitations in Russia regarding mass media involvement. They cannot be founders or participants of mass media and cannot act as editorial boards or broadcasting companies, as well as directly or indirectly control mass media, editorial boards or broadcasting companies through their subsidiaries.

Additionally, mass media must report foreign funding quarterly unless exempt under specific conditions.

20.3.4 Is there any regulation on “foreign agents”?

Yes. A foreign agent is understood as a person/entity that receives foreign support and/or that is under foreign influence in other forms and is involved in political activity, targeted collection of information in the field of military or military-technical activities of the Russian Federation, distribution of messages and materials intended for a mass audience and/or participation in the creation of such messages and materials, or other types of activity established by law.

The Russian Ministry of Justice maintains the register of foreign agents.

Material distributed by foreign agents must be marked with the relevant sign.

Foreign agents are also subject to special reporting and to a number of specific limitations on their activities in Russia.

20.3.5 Is it necessary to assign age ratings to informational products?

Yes, Russian law obliges the manufacturers and distributors of

information to classify and mark information distributed in Russia in terms of age groups who may have access to such information. Depending on the content, the information must be marked with one of the following ratings: 0+, 6+, 12+, 16+ or 18+.

21. Sustainability / Environmental, Social, and Corporate Governance (ESG)

*ESC = Environment, Social and Governance, or responsible investing

Russia has and continues to develop a diverse set of laws and policies overlapping with the UN Sustainable Development Goals (SDGs). These laws incentivize the private sector to invest in greenfields, brownfields, R&D and other projects contributing to welfare, social, environmental and other public policy objectives.

Many of Russia's major corporations and banks are implementing numerous sustainability initiatives, in of the areas of (i) carbon neutrality, energy transition, waste management and environmental integrity, (ii) massive integrated territorial development projects, social benefits for employees, and support for local communities; (iii) introducing sustainability into corporate governance, non-financial reporting, obtaining ESG ratings, raising green, social and sustainability-linked finance.

Some experts argue that sustainability is perfectly placed to be a common ground for Russia and the world at a time of global instability, specifically in terms of joint business projects that contribute to the public good.

21.1 SDG and national development framework

In May 2024, the Russian President signed a decree that defined seven core areas for national development through 2030 (with a projection through 2036), most of which are closely overlapping with SDGs:

1. **Preservation and improvement of human health, and welfare, family support** – in particular, setting targets to improve life expectancy and active longevity, birth rate, support of people with

special needs, reduction of poverty and Gini coefficient (income inequality);

2. **Realizing human potential, talent development, social responsibility and patriotism** – in particular, setting targets to identify talent amongst children and youths, involving youths into volunteering, attracting foreign students, and achieving related objectives;

3. **Comfortable and safe habitat** – in particular, setting targets to renovate and build residential and other buildings, utility infrastructure, roads and public transport; to improve energy and resource efficiency; to double commercial air travel and the use of Russian-made aircraft;

4. **Environmental welfare** – in particular, setting targets to develop circular economy (process all household waste, reduce waste going to landfills by half, reuse a quarter of all waste), to reduce by half most air polluting emissions in cities with high air pollution rates and to achieve other targets in terms of water resources, forests, biodiversity and other resources;

5. **Sustainable and dynamic economy** – in particular, setting targets to boost capital investments, robotization, and higher labor efficiency while keeping low unemployment; building an international network for technological and industrial cooperation; and implementing climate adaptation programs (federal, regional and corporate) and monitoring of climate-active substances;

6. **Technological leadership** – in particular, setting targets to ensure Russia's leadership in R&D; to develop AI, space tech and services, power technologies, bioeconomy, unmanned vehicles and aerial systems; and food safety, data economy and other areas;

7. **Digital transformation of state and municipal governance, the economy and the social domain** – setting targets to advance AI, big data, and machine learning solutions for automation in state

and municipal governance; to develop the data market and to achieve other digitalization objectives.

Other key strategic planning documents are now being developed or harmonized in Russia with the said national development goals.

21.2 Environment

Net-zero. The Government's Low-Carbon Development Strategy through 2050 defines several paths and targets for decoupling Russia's economic growth from GHG emissions with prospects of carbon neutrality by 2060.

Emission trading. Russia has a two-tiered carbon market: a nationwide voluntary market and a cap-and-trade system in the Sakhalin region (Russia's Far East) to be possibly extended to other regions.

Renewables. Russia has an incentive program for renewable power generators in the wholesale and retail power markets. As of 1 July 2024, the total installed capacity of solar, wind and small hydro is around 6.2 GW. Corporates are continuingly looking to purchase renewable and other low-carbon power and/or green attributes of such power via power purchase agreements or guarantees of origin (green certificates).

Hydrogen. Russia's energy strategy, hydrogen development concept and hydrogen roadmap set ambitious targets to secure Russia's role as one of the largest global exporters of hydrogen, numerous hydrogen-related equipment and technologies. Several major Russian companies are conducting pilot projects in terms of low- carbon, particularly in the Sakhalin region.

EVs. Russia is rapidly catching up with mature EV markets in terms of the number of vehicles and e-charging infrastructure. The Government's EVs Production and Use Concept, stipulates that by

2030 (i) EVs reach at least 10% of total vehicle production; (ii) at least 72,000 e-charging stations (including 28,000 fast-charging) and 1,000 hydrogen charging stations are installed; (iii) at least 39,000 high-skilled jobs are created in electrochemistry, electromechanics, electronics and production of EVs.

A number of stimulus measures are available and are being developed to incentivize production and consumption of EVs and related products.

Energy efficiency. Russian law provides for energy efficiency requirements for the sale of goods, lighting, construction and public procurement. The government is implementing an integrated energy efficiency improvement plan and some other state-run initiatives overlapping with the climate policy. Some types of energy efficiency projects can be implemented under energy service contracts.

Waste. Russia is rapidly transitioning from a landfill-based waste management system toward a more sustainable and circular one. That implies a ban on landfilling of certain waste types, waste recycling requirements for producers and importers and several state-run programs aimed at boosting the development of waste processing and recycling infrastructure.

General environmental law and best available technologies. Russia has a diverse set of laws governing air, water and soil pollution. Many business activities are subject to environmental permits, charges (levies), damages, reporting and other requirements. Russia continues tightening those laws and their enforcement. Emission-intensive corporates are implementing best available technologies (BAT) as part of massive integrated emission reduction programs and installing online emissions control systems.

21.3 Social

Essentials. Russia has quite an extensive set of employment,

industrial safety, consumer protection, personal data and other laws and regulations overlapping with the social dimension of sustainable development.

The Government is running a set of national projects, federal programs and strategic development initiatives to advance, digitize and expand infrastructure development, healthcare, education, housing & utilities, state services and other areas – ultimately contributing to social well-being.

Corporate social responsibility. The Russian Union of Industrialists and Entrepreneurs has adopted the Social Charter of Russian business. The Charter encourages business to contribute to the development of regional economies and social infrastructure, to develop social partnerships with employees, and to create favorable working conditions and social guarantees. The signatories to the Charter are 291 entities employing around 10 million workers in aggregate. The Charter purports to be the basis for Russian companies' actions in the CSR (corporate social responsibility) and ESG domain in line with the UN SDGs and the UN Global Compact.

21.4 Governance

Corporate governance code. The Bank of Russia (CBR) encourages companies with publicly traded securities to (i) comply with the Corporate Governance Code (the Code) to secure companies' sustainable development and long-term value, and (ii) annually report on such compliance.

Sustainability strategy. The CBR encourages companies with publicly traded securities to create sustainable development and climate transition strategies to maintain global competitiveness and financial stability, mindful of global sustainability trends, in particular low-carbon transition.

ESG risks assessment. The Code and the CBR's letters encourage boards of directors to assess social, ethical, environmental and other non-financial risks and factors at the board level. The CBR separately encourages (i) insurance companies to raise awareness of the effects of climate risks on their assets and liabilities, and (ii) financial markets actors to assess risks related to low-carbon transition. The CBR issued several Climate Risk Reports examining the impact of climate risks on Russian economy and financial market.

ESG reporting and disclosure. The CBR issued a set of letters encouraging companies with publicly traded securities and financial institutions to disclose various ESG data in non-financial reports, issuer prospectuses, material facts (corporate action), notices, and other documents and publications. Financial institutions are separately encouraged to disclose information on their financial ESG products to clients.

The Russian Ministry of Economic Development has issued methodological recommendations and draft standards for sustainability reporting mainly targeting state corporations, state-owned enterprises, companies with publicly traded securities, and companies with gross revenue or assets exceeding RUB 10 billion (approx. USD 100 million).

The Center for Corporate Information Disclosure (a CBR-authorized organization) and the Russian ESG Alliance provide an ESG disclosure service to compare ESG performance of top Russian companies.

ESG rankings. The CBR issued a model ESG ratings methodology aiming to unify ESG rating formats. National Rating Agency publishes ESG rankings and ratings of financial institutions, industrial enterprises, and manufacturing and other companies, as well as those of Russian regions.

Impact investments. The CBR encourages institutional investors to comply with the CBR-adopted responsible investment principles to

contribute to the sustainable development of the companies that are investment targets.

Taxonomies. The Russian Government approved several taxonomies of sustainable projects: green, adaptation and social projects. Many of the projects under technological sovereignty and structural adaptation taxonomy also have a substantial ESG dimension. The authorities are currently debating the feasibility of incentives for lenders and borrowers under taxonomies-compliant projects, such as terms for reduced interest rates.

22. E-Commerce

22.1 Do Russian courts have jurisdiction over disputes where one party is a resident or provides goods or services from outside of Russia?

According to Russian conflict of laws regulations, the parties are free to agree that a non-Russian law shall apply to their transaction, provided that there is a foreign element to it.

At the same time, when Russian consumers are targeted, a number of Russian regulations shall apply, irrespective of the law chosen by the parties as applicable to their transaction. These include Russian competition, advertising, and data protection regulations, as well as some others. Russian consumer protection laws may also apply if the law governing the contract provides consumers with comparitively less protection .

As to the choice of dispute resolution venue, please note that judgments of courts outside Russia may be enforced in Russia only if there is an existing treaty between Russia and the country where the judgment was issued. There have been some examples where foreign judgments have been enforced based on the international principle of reciprocity. However, the application of this principle is sporadic and many foreign judgments have not been enforced, irrespective of this argument having been made. Thus, it should not be relied upon in day-to-day business.

At the same time, the parties are free to submit their disputes to local or foreign arbitration, with the latter being generally enforceable in Russia based on the UN convention ‘‘On the Recognition and Enforcement of Foreign Arbitral Awards’’.

Please note, however, that consumers may submit their claims to Russian state courts and such courts normally accept and review

such claims on the merits, irrespective of a dispute resolution clause in the parties' agreement.

22.2 Is it possible to form and conclude contracts electronically?

Yes, under Russian law a contract may be formed and concluded electronically by: (a) using an electronic signature, including the so-called ''qualified electronic signature'' (an electronic key registered with a special certifying center); (b) exchanging electronic documents; or (c) commencing the performance of the contract terms stated in an offer.

When parties enter into a contract by exchanging electronic documents, each party must be able to verify that the documents were in fact sent by the other contracting party.

The contract is also considered to be concluded if, as noted in (c) above, the customer commences the performance of the contract terms in response to an offer.

It is arguable whether the ''click to accept'' or ''click-wrap'' method represents commencement of the contract performance, even if the accepted terms explicitly state so. Therefore, it is recommended that the company specify in the terms and conditions a list of actions required from the customer which, if performed, would show that the customer accepted the offered terms, e.g., profile activation, approval of technical specification, agreement on delivery terms, order placement or payment.

As a practical matter, please note that companies selling goods and services via the internet might face problems with using electronic documents executed without the use of an electronic signature, e.g., they might not be accepted by some banks, tax or customs authorities as proper confirmation of contractual relations. While there are

legal arguments to support the position that such documents must be accepted as proper confirmation, we cannot exclude the risk that a particular state officer or bank representative would have a more conservative approach.

23. Personal Data

23.1 Does the Russian Personal Data Law apply to foreign entities?

The Federal Law No. 152-FZ «On Personal Data» dated 27 July 2006 (the ‘‘**Personal Data Law**’’) expressly applies to the processing of Russian nationals’ data by foreign entities carried out under (i) an agreement with the data subject, or (ii) the data subject’s consent.

23.2 What is the legal basis for personal data processing?

From a practical perspective, the data subject’s consent is the most frequently used legal basis for data processing in Russia. Generally, consent may be obtained in any verifiable form, including in writing, electronically or by means of implied consent. However, in certain cases, an operator is required to obtain written consent in a special form.

An operator may also rely on such legal grounds as executing or performing an agreement to which a data subject is a party or beneficiary. However, in this case, the data processing must be either directly prescribed or at least reasonably justified by the aims and subject matter of such agreement. Otherwise, excessive operations that are not essential for the performance of the agreement will be considered as violating the law.

The Personal Data Law also provides for such legal grounds as compliance with legal duties imposed on the data operator, as well as legitimate interest; however, in practice, cases where the operator can rely on this legal basis are limited.

23.3 Are there any special rules for cross-border transfers?

Data operators must notify Roskomnadzor of planned cross-border data transfers. Prior to submitting such notice, the operator must conduct a transfer impact assessment. Roskomnadzor generally reviews cross-border transfer notices within 10 business days.

23.4 Does Russia have any data localization requirements?

Yes, data operators collecting personal data must ensure the recording, systematizing, storing, verifying (including updating and modifying) and retrieving of the personal data of citizens of the Russian Federation using databases located within the Russian Federation. This means that prior to cross-border transfer or recording personal data to foreign databases, the operator must record and further update such personal data in local databases.

This requirement is subject to several narrowly defined exceptions. For example, one exception applies if the processing of personal data is necessary to perform an international treaty of the Russian Federation in accordance with Russian legislation.

24. Consumer Protection

24.1 What regulations govern sales to Russian consumers?

According to Russian conflict of law regulations, even if a Russian consumer has entered into a contract governed by non-Russian law, it does not deprive them of the protection granted under Russian law. In most cases, Russian courts take a conservative approach and apply Russian law when a seller or provider of services advertises its products or services targeting Russian consumers.

A foreign jurisdiction clause in a contract also does not prevent Russian consumers from submitting their claims against a foreign seller/manufacturer to Russian courts of general jurisdiction. Courts are likely to accept such claims for trial based on Russian procedural rules. However, in practice, Russian consumers rarely sue foreign manufacturers, because enforcement of a court's decision in a foreign country where the manufacturer is registered takes time and might be too costly for a consumer.

24.2 What represents a consumer sale?

A sale is made to a consumer if the buyer is an individual ordering, acquiring or using products or services exclusively for personal, family, household and other needs not relating to business activities.

24.3 What remedies are generally available to Russian consumers (warranty undertakings of the manufacturer and the seller)?

A consumer, at their sole discretion, may claim one of the following remedies from the seller (manufacturer, importer) of a defective product:

a. replacement of the defective product with a new product of the same type, brand and/or index

b. replacement of the defective product with a new product of another type, brand and/or index and settlement of the price difference between the replaced product and the new one

c. proportionate decrease of the purchase price

d. immediate repair of the defective product at no cost, or compensation of the consumer's costs incurred repairing the product's defects

e. termination of the purchase agreement and refund of the purchase price; at the seller's request and expense the consumer has to return the defective product to the seller

In relation to technically sophisticated products listed in a resolution of the government of the Russian Federation, e.g., computers, watches and cars, a consumer may submit only the claims indicated in items **a**, **b** and **e** above.

In addition to the above remedies, a consumer is entitled to claim compensation of their losses incurred due to the purchase of a defective product. Importantly, under Russian law, a consumer may file claims indicated in items a and d above directly against the manufacturer, its representative or the importer of the defective product.

The limitation period for the above claims is equal to the warranty period established by the manufacturer and the seller (as applicable). If the warranty period is not established or is less than two years, the consumer may file claims within two years after the defective product is delivered to the consumer.

Moreover, the consumer may claim the free repair of substantial

defects from the manufacturer within the service life of the product or, if the service life is not stated, within 10 years after the delivery of the product to the consumer. If such a claim is not met within 20 days from the moment of its receipt, the consumer is entitled to file claims provided by items **a** and **d** above or return the defective product to the manufacturer and claim a refund of the purchase price paid for such product.

24.4 Can the manufacturer's and/or seller's liability be limited under the contract with the consumer?

Under Russian law, it is not possible to limit the manufacturer's and/or seller's liability to a consumer in a contract.

At the same time, there is a market practice of limiting the manufacturer's and seller's liability for products by the definition of the product's qualities, terms of use and applicable limitations in using the products.

24.5 What information must be disclosed to a consumer?

The seller/service provider must provide the consumer with the list of information required under Russian law, including: product qualities, price, warranty period, service life, information about defects, return policy etc.

All disclosures to Russian consumers have to be made in Russian.

24.6 What additional rights are granted to consumers purchasing online?

Apart from the remedies discussed above, consumers purchasing products online have the right to:

a. cancel the order prior to delivery or within seven days after delivery

b. require a refund of any money paid for the cancelled order (excluding the costs of the product's return)

If the seller does not inform the consumer about their right to cancel the order, the consumer can cancel it within three months after delivery. The return of an undamaged product is possible if the product's appearance and qualities are preserved.

The only exception to the return requirements relates to personalized products, which may be used only by the particular individual, e.g., a product customized for a particular individual (a suit in the client's size, furniture of certain dimensions, etc.).

24.7 Can Russian consumers join a class action?

Yes. Under Russian law, consumers may join a group of claimants, including state bodies, against a common respondent, if the following conditions are met:

a. The minimum number of claimants should be 20.

b. The claimants should base their submission on similar facts, refer to common or similar rights or interests breached by the respondent, and apply for the same remedies. A decision of a state authority (e.g., a decision on the violation of competition laws or similar, where the state authority acknowledges the violation of consumers' rights) or even an individual decision rendered under the same circumstances, may also be grounds for a class action.

c. The claimants should choose a representative who will lead the process under a legal services agreement entered into with the claimants.

d. Before filing, the claimants must publish an announcement in the mass media with an invitation to other consumers to join the

action. Importantly, at the request of the claimants a court may oblige the respondent to disclose all consumers whose rights may also be affected.

The class action must be filed with a court of general jurisdiction at the location of the respondent. A court should issue a final decision within eight months, although in practice this deadline is often not met because the proceedings last longer.

25. Pharmaceuticals and Medical Devices

25.1 How can medicines be put on the market in Russia?

A medicinal preparation is allowed for wide commercialization on the Russian market if it has been duly registered by the Ministry of Healthcare (the ‘‘**MOH**’’). This ministry is generally responsible for state policy and the regulation of healthcare and the circulation of medicines for human use. It also administers special procedures allowing the importation of unregistered medicines in certain cases. However, the MOH is not the only state body that is important for the pharmaceutical market. The Ministry of Industry and Trade (the ‘‘**MIT**’’) licenses the manufacturing of medicines and organizes GMP inspections of manufacturers. The Federal Service for Surveillance in Healthcare (the ‘‘**Federal Service**’’), together with its subordinate bodies, licenses wholesale and retail sale of medicines and also oversees the quality of medicinal preparations on the market.

The general registration pathway for medicinal preparations is currently regulated at the level of the Eurasian Economic Union (the ‘‘**EAEU**’’), of which Russia is a member state together with Armenia, Belarus, Kazakhstan and Kyrgyzstan. There are also some extraordinary Russian national registration pathways still remining effective in parallel (as responses to COVID-19 and international trade limitations imposed on Russia). The main purpose of the extraordinary pathways is to prevent shortages of medicines on the Russian market due to external factors.

EAEU registration may be obtained for all five union countries or for any subset of them. Each product may have only one EAEU registration and one registration holder (owner) company. It is not possible to split ownership (holding) of a single EAEU registration in different countries among different companies. There is no single registering authority at the EAEU level, registration actions are performed for each medicinal preparation by each national registering authority in the countries in

which the applicant selected to have its EAEU registration active.

Generics may lawfully obtain EAEU registration even if there is no registration of the original product in the EAEU. Russian law contains market exclusivity and regulatory data protection (RDP) rules, but no such rules are established at the EAEU level, which makes it difficult to apply RDP rules during the EAEU registration process. In practice, RDP rules are also not applied within the extraordinary local registration pathways. Thus, as of today, intellectual property remains the only viable instrument to protect original products.

The requirements for the EAEU registration dossier are quite similar to those of the common technical document (CTD). As a general rule, registration requires the results of clinical trials at least partially conducted in the EAEU in line with the EAEU GCP document, which is essentially a translation of ICH GCP. Overall, the registration process should not exceed 210 calendar days from the date of filing a complete application (excluding “stop-clocks”, if any). The validity period of a registration certificate for a medicinal preparation registered for the first time is five years. A termless registration certificate is issued thereafter, if the product successfully passes the reregistration procedure. A foreign legal entity may be a registration certificate holder (owner) in the EAEU.

The registration of a medicinal preparation is the key to market access, but not the only pre-requisite to market entry. Most of the medicines imported into Russia should bear the Russian track and trace system (the ‘‘**System**’’) identification mark. As a general rule, this becomes possible once the relevant manufacturer joins the System.

Further, actually imported lots of a medicinal preparation need to undergo an «introduction into civil circulation». Their importers are required to submit documents to the Federal Service confirming the medicine’s quality and the manufacturer’s confirmation certifying the compliance of the medicine with the requirements established during

the medicine's state registration or, most importantly, its quality.

Quality is a key factor for the continued presence of a lot of medicines on the Russian market. Quality of a medicinal preparation is defined in Russia very formally as its compliance with the requirements of the normative documentation (or, in its absence, which is quite rare, a pharmacopeia article), approved when the product underwent registration. Normative documentation is essentially a list of quality characteristics of each medicine together with descriptions of how the testing of these characteristics has to be done. Bad quality medicines are withdrawn and companies intentionally doing business with them bear a risk of administrative liability (in addition to administrative liability their officers may also face criminal liability).

Some medicinal preparations, especially those purchased within the Russian public procurement system, are included into the Essential Drug List (the ''**EDL**'') and are subject to state regulation of prices. If the product's international non-proprietary name (the ''**INN**'') is listed in the EDL, it has to have its maximum manufacturer's price registered by the MOH before it may be sold in Russia. It is also not unusual for a medicine to be present on the Russian market for some time and then for its INN to be listed in the EDL. The maximum price of this medicine then also needs to be registered before the medicine may resume circulation in Russia. The registered price sets the maximum price at which a medicine may either be imported into Russia or sold by its Russian manufacturer. Its price in the further resales is limited by the maximum wholesale and retail trade margins set at the level of Russian regions.

Russia has several budget-funded programs for supplying medicines to its citizens so that various public procurement programs for medicinal preparations are a very significant part of the Russian pharmaceutical market. Various rules favoring local manufacturing of medicines apply at public procurement. These rules usually operate as handicaps applied to products originating from foreign states whether as a discount on

their price or as a prohibition on participating in public procurement in some circumstances.

25.2 What are the requirements for companies doing business with medicines in Russia?

Manufacturing, wholesale and retail sale of medicinal preparations require licenses in Russia. The licensing of these activities is regulated and conducted on a national, not an EAEU-wide, level. However, GxP documents that the licensees have to follow in their day-to-day activities are adopted at the EAEU level. Russian authorities perform GMP inspections of manufacturing sites, including those located abroad.

Retail sale of OTC medicinal preparations may be performed via the Internet subject to an additional permit obtained by the retail seller. There is an experiment concerning the Internet sales of Rx products being performed in several regions of Russia, which may eventually result in a country-wide possibility to sell Rx products over the Internet.

Russian law regulates the advertising of medicinal preparations. It is possible to advertise OTC products to the general population in Russia, while prescription medicinal preparations can only be advertised in specialized printed publications intended for medical and pharmaceutical professionals, and at medical or pharmaceutical events.

Interactions between pharmaceutical companies, their representatives and Russian medical and pharmaceutical professionals are also subject to quite restrictive regulation. Most importantly, visits of representatives of companies to Russian medical professionals must not be of a solely promotional nature, and it is not possible to provide samples of medicines to them or to provide gifts or money (except for remuneration under agreements on clinical trials of medicinal

preparations or clinical studies of medical devices, or for teaching and/or scientific activities).

Manufacturers of medicines and organizations importing medicines into the Russian Federation are required to notify the Federal Service and the MIT in the event that there are plans to suspend or discontinue the manufacturing and importation of medicines into the Russian Federation. Such notification must be made no later than a year before the planned events.

25.3 How can medical devices be put on the market in Russia?

A medical device is allowed for wide commercialization on the Russian market if it has been duly registered by the Federal Service. There are also special procedures allowing for importation of unregistered medical devices in certain cases administered by the Federal Service. While the Federal Service is the key state body in the medical devices field, the MOH remains generally responsible for drawing up state policy and the regulation of healthcare and the circulation of medical devices.

Medical devices may still be registered either under the EAEU system or under the Russian national system until the end of 2025. Based on the data in the registers of medical devices, most companies still prefer to use the Russian national registration pathway. Based on the current ratio of Russian national and EAEU registrations, there is a probability that transition to EAEU-only registration may again be delayed.

There are also extraordinary Russian national registration pathways remining effective in parallel (as responses to COVID-19 and international trade limitations imposed on Russia). The main purpose of the extraordinary pathways is to prevent shortages of medical devices on the Russian market due to external factors. An additional measure aimed at preventing shortages of medical devices on the

Russian market are regulations prohibiting the export of some medical devices and requiring a special permit for the export of certain other medical devices. These two measures greatly complicate warranty and post-warranty service of imported medical devices abroad.

The registration process for a medical device within the national pathway should not exceed 50 calendar days from the date of filing an application. The timeline for the EAEU registration pathway is longer, approximately 110 working days. Both timelines exclude the time for performance of clinical studies, if required for a specific class of medical device, “stop-clocks”, if any, or inspection of the manufacturer’s quality management system, if applicable.

Both the national and the EAEU registration pathways result in termless registration certificates. A foreign legal entity may be a registration certificate holder (owner) under both the national and the EAEU registration pathways. However, the role of the authorized representative of the device manufacturer (i.e., the entity that submitted the device for registration) is significant even if it is not mentioned in the registration certificate. The Federal Service would usually contact the authorized representative if it has any issues with a medical device as this is a more convenient local point of contact compared to a foreign manufacturer.

It is noteworthy that the regulations allow registration of third party-disposables for medical equipment without the consent or involvement of the manufacturer of this medical equipment.

The registration of a medical device is currently the main requirement for market access of most medical devices. However, some medical devices or their components are subject to declaration of conformity (e.g., electromagnetic compatibility). Some types of medical devices, for example, CT scanners, coronary stents, are currently required to bear a Russian track and trace system identification mark. This requirement will be expanded in 2025 to medical gloves.

Quality is a key factor for the continued presence of a lot of medical devices on the Russian market. Bad quality medical devices are those that do not comply with requirements for safety, effectiveness and labelling of medical devices, with the requirements of normative, technical and usage documentation and which may not be safely used for their intended purpose set by the manufacturer. Bad quality medical devices are withdrawn and companies intentionally doing business with them bear a risk of administrative liability (in addition to administrative liability their officers may also face criminal liability).

Russia has several budget-funded programs to supply medical devices to its citizens so that public procurement of medical devices is a very significant part of the Russian medical devices market. Some implantable medical devices are subject to the state regulation of prices within the public procurement system. Various rules favoring local manufacturing of medical devices apply at public procurement. These rules usually operate as handicaps applied to products originating from foreign states, whether as a discount on their price or as a prohibition on participating in public procurement in some circumstances.

25.4 What are the requirements for companies doing business with medical devices in Russia?

Companies planning to do business with medical devices in Russia have to serve a special preliminary notice to the Federal Service. Companies that have served the notice are included into a special register. Inclusion into the register is a pre-requisite for a company before it may start importing medical devices. Licensing of activities is quite rare in the area of medical devices, only the technical maintenance of medical devices requires a license currently. Also, if a medical device is of any special type (e.g., contains generating sources of ionizing radiation), its sale may also be subject to special licensing requirements.

Russian law regulates the advertising of medical devices. It is

generally possible to advertise medical devices to the general population in Russia, except for those medical devices the use of which requires special training. These medical devices can only be advertised in specialized printed publications intended for medical and pharmaceutical professionals, and at medical or pharmaceutical events.

Interactions between medical devices companies, their representatives and Russian medical and pharmaceutical professionals are also subject to quite restrictive regulation. Most importantly, visits of representatives of companies to Russian medical professionals may not be only of a promotional nature, it is not possible to provide samples of medical devices to them or to provide gifts or money (except for remuneration under agreements on clinical trials of medicinal preparations or clinical studies of medical devices, or for teaching and/or scientific activities).

Manufacturers of medical devices and organizations importing them into the Russian Federation are required to notify the Federal Service in the event that there are plans to suspend or discontinue their manufacture or import into the Russian Federation. Such notification must be given no later than 6 months before the planned events.

26. Issuance and Regulation of Securities

26.1 What are the primary sources of legislation covering the issuance and regulation of securities in Russia?

The securities market and securities transactions in the Russian Federation are primarily regulated by Federal Law No. 39-FZ ''On the Securities Market'' dated 22 April 1996 (the ''**Securities Law**''). The offering of corporate securities is regulated by Federal Law No. 208-FZ «On Joint-Stock Companies» dated 26 December 1995 (the ''**JSC Law**'' and by Federal Law No. 395-1 ''On Banks and Banking Activity'' dated 2 December 1990.

The issuance of securities in the Russian Federation is also governed by a number of regulations adopted by the Central Bank of the Russian Federation (together with its predecessors referred to as the ''**Bank of Russia**''), and other regulatory agencies, as well as the general provisions of the Civil Code.

26.2 What types of securities exist in Russia?

All types of securities in Russia can be divided into two main groups: those that must be issued in compliance with a specific procedure prescribed by the Securities Law and require registration (such securities are referred to as mass issued), and those that need not be registered (non-mass issued). Shares, bonds, stock options and Russian depository receipts are mass-issued securities, while promissory notes, bills of exchange, bills of lading, mortgage certificates, mortgage participation certificates, investment units, deposit certificates and warehouse documents are non-mass issued securities.

26.3 What are the information disclosure requirements in case of issuance of securities in Russia?

In certain cases the Securities Law requires a prospectus to be registered simultaneously with the registration of the securities' issue (e.g., when securities are to be distributed through an offering to the public).

The Securities Law also provides for the disclosure of certain financial and other information by issuers who have registered a prospectus. Such information includes: semi-annual reports of the issuer (drafted in compliance with the requirements of the Bank of Russia); consolidated financial statements (which should be included in the semi-annual report for the relevant period); and material events that may affect the financial results or business activities of the issuer (a list of such events has been drawn up by the Bank of Russia).

26.4 What are the requirements for the placement and circulation of foreign securities in Russia?

In general, foreign securities may be admitted for placement and/or public circulation in Russia either:

- by decision of a Russian stock exchange (if foreign securities have been listed abroad with a stock exchange that satisfies the criteria set by the Bank of Russia)

- by decision of the Bank of Russia (if foreign securities are not listed with a stock exchange that satisfies the criteria set by the Bank of Russia and are offered to the general public for the first time)

The Securities Law also allows unsolicited listings (listings that have not been authorized by the issuer). In all the above instances, the foreign law governing the securities to be placed/offered must not restrict the placement/public circulation of such securities in Russia.

Starting from 30 May 2022, the Bank of Russia has restricted trading of foreign securities blocked by international settlement and clearing systems on Russian exchanges. An exception is granted for securities of foreign issuers doing business predominantly in the Russian Federation. The restriction does not affect the ownership of such foreign securities. It is expected that trading will resume when restrictions are removed.

26.5 What legislation governs the issuance of domestic bonds?

The issuance of domestic bonds is regulated by the Civil Code, the JSC Law, the Securities Law and, for limited liability companies, Federal Law No. 14-FZ ‘‘On Limited Liability Companies’’ dated 8 February 1998 (as amended). This legislation regulates both secured and unsecured bonds. Secured bonds must be fully or partly secured with a suretyship, independent guarantee, state or municipal guarantee, or with a pledge (or a mortgage) over the issuer’s and/or a third party’s property.

The Securities Law allows for the establishment of exchange-traded bond programs (which can be unsecured or, in certain cases, secured), programs for mortgage bonds, programs for asset-backed bonds and structured bond programs. A bond program is established by the preparation of a framework decision on issuance, which provides the terms and conditions applying to all issues within such bond program and a specific decision on issuance with the terms and conditions of a separate issue within such bond program.

26.6 How are exchange-traded bonds, commercial bonds and structured bonds different from usual domestic Russian bonds?

Exchange-traded bonds differ from ordinary bonds in that they do not

need to be registered by the Bank of Russia. Exchange-traded bonds and the relevant prospectuses are registered by a stock exchange (for example, Moscow Exchange (‘‘**MOEX**’’)).

Commercial bonds are unsecured securities issued in dematerialized form and registered by the National Settlement Depository. Commercial bonds can be offered only through a private placement.

Structured bonds are debt securities:

- issued by credit organizations, brokers, dealers and specialized finance companies

- the performance of obligations under which is subject to the occurrence (or non-occurrence) of certain events listed in the decision on issuance (e.g., change of currency exchange rate, price of securities or rate of inflation)

Structured bonds are only eligible for purchase by qualified investors.

Structured bonds issued by brokers, dealers and specialized finance companies must be secured by a pledge of receivables or other property. Credit organizations do not have to pledge any assets to secure their performance under structured bonds.

26.7 How can mortgage loans be securitized in Russia?

Federal Law No. 152-FZ «On Mortgage-Backed Securities» dated 11 November 2003 (the ‘‘**MBS Law**’’) allows Russian credit organizations and special purpose entities (mortgage agents) to issue mortgage-backed securities — mortgage-backed bonds and mortgage participation certificates.

The MBS Law provides for two types of mortgage-backed bonds:

- a mortgage-backed bond issued directly from the balance sheet of a Russian bank — covered bonds

- a mortgage-backed bond issued via a Russian special purpose vehicle (so-called mortgage agent) acquiring mortgages from an originator — residential mortgage-backed securities (''**RMBS**'')

The MBS Law allows for the establishment of RMBS bond programs. Such programs may be placed on an exchange and should contain a description of the security for the bonds, as well as information about the order of fulfillment of obligations under bonds with a single cover pool.

26.8 Is the securitization of assets other than mortgage loans possible in Russia?

According to Federal Law No. 379-FZ (the ''**Securitization Law**'') transactions with various asset classes — including SME loans, auto loans and leasing receivables — are possible.

26.9 What types of collective investment schemes are recognized in Russia?

There are several types of collective investment schemes in Russia:

- joint-stock investment funds

- mutual investment funds

- nongovernmental pension funds

26.10 What licensed intermediaries operate on the Russian securities market?

Under the Securities Law, the following licensed intermediaries exist:

- brokers
- dealers
- depositories (custodians)
- registrars
- foreign exchange (forex) dealers
- trust managers
- investment consultants

26.11 What are the regulations on derivatives on the securities market in Russia?

In the context of plans to protect netting, the Securities Law deals with trading in Russia in stock exchange and over-the-counter (''**OTC**'') derivatives, in derivative instruments designated for trading by so-called qualified investors and foreign derivative instruments (i.e., derivative contracts issued under foreign law). According to the relevant legislation, derivative instruments may only be offered to qualified investors.

27. Banking

27.1 What is the structure of the banking system in Russia?

Pursuant to Federal Law No. 395-1 «On Banks and Banking Activities» dated 2 December 1990 (the ‘‘**Banking Law**’’), there are two main types of credit organizations: banks and non-banking credit organizations. A bank has the right to carry out a wide range of banking operations. A non-banking credit organization, in contrast, is allowed to perform only a limited number of specified banking operations as set forth in its license, e.g., provision of payment services.

As of 1 June 2024, there were 320 banks, 36 non-banking credit organizations and 24 representative offices of foreign banks registered in Russia.

The Central Bank of the Russian Federation (the ‘‘**Bank of Russia**’’) is the key regulatory authority for banks and is in charge of monetary policy.

27.2 Can a foreign bank operate in Russia?

Although foreign banks may not currently open branch offices in the Russian Federation, a local subsidiary or a representative office may be established. Due to current restrictions neither subsidiaries nor representative offices can be established by residents of so-called ‘‘Unfriendly States’’.

27.3 What are the requirements for the establishment of a local subsidiary of a foreign bank in Russia?

A foreign bank may establish a subsidiary in Russia in the form of a Russian legal entity (joint-stock company or limited liability company).

The total share of foreign investment in the charter capital of all credit organizations in the Russian banking system may not exceed 50%. Any shares (participation interests) obtained by non-residents in violation of such restriction would be deemed nonvoting and the Bank of Russia would be entitled to petition a court to invalidate the transaction.

The participation of foreign banks in the Russian market is subject to certain restrictions. In particular, non-residents need the Bank of Russia's prior approval if they acquire 10% or more of shares in a Russian bank or non-banking credit organization. When a non-resident acquires more than 1% but less than 10%, the Bank of Russia need only be notified. However, additional requirements on reporting procedures, approval of management bodies and permitted operations of the representative offices and subsidiaries of foreign banks may still be introduced.

27.4 What are the requirements for establishing a representative office of a foreign bank in Russia?

A foreign bank that is not a resident of an unfriendly state may establish a representative office in Russia.

The Bank of Russia issues accreditations for the representative offices of foreign banks and the foreign citizens to be employed there. A representative office of a foreign bank can be accredited for up to three years. Accreditation becomes effective if a representative office of a foreign bank starts operating within six months after the Bank of Russia grants such accreditation. Otherwise, the accreditation will be terminated. Accreditation can be renewed an unlimited number of times. The Bank of Russia may grant permission to open a representative office to a foreign bank that meets the following criteria: the foreign bank has been operating in its country of incorporation for at least five years, and the foreign bank has a stable financial position.

Representative offices of foreign banks have limited legal capacity

under Russian law. They are allowed to study the economic situation and standing of the Russian banking sector, to maintain and develop contacts with Russian banks, and to develop international cooperation.

27.5 What activities do Russian banks generally engage in and how are they regulated?

Under the Banking Law, only credit organizations holding a license granted by the Bank of Russia are allowed to carry out banking operations. The list of banking operations includes the following: attraction of monetary funds for on-demand and term deposits and placement of such funds in the name and at the expense of the relevant credit organizations; holding deposits and placement of precious metals (except for precious metal coins); maintaining bank accounts in precious metals (except for precious metal coins) and carrying out transfers from/to such bank accounts; opening and maintaining bank accounts for individuals and legal entities; collecting money, promissory notes and bills of exchange, payment and settlement documents; providing cash services to individuals and legal entities; exchanging foreign currency; transferring money (including e-money) with or without the opening of bank accounts.

Subject to compliance with applicable licensing requirements, credit organizations may act as professional participants on the securities market. Credit organizations are prohibited from engaging in any industrial, trade or insurance activities, other than derivatives transactions.

Banks can operate under two types of banking licenses in Russia:

1) a universal license that allows the bank to carry out all banking operations and establish subsidiaries and branches (subject to prior approval of the Bank of Russia) and representative offices abroad (subject to prior notification of the Bank of Russia)

2) a basic license that restricts the bank from carrying out certain banking operations with foreign individuals, foreign legal entities and other foreign organizations and requires less bank charter capital than a universal license

Banks with basic banking licenses cannot conduct the following banking operations and transactions with foreign individuals, foreign legal entities and other foreign organizations (as opposed to banks operating under universal banking licenses): placing attracted monetary funds of on-demand and term deposits in its own name and at its own the expense; holding deposits and placement of precious metals (except for precious metal coins); maintaining bank accounts in precious metals (except for precious metal coins) and carrying out transfers from/to such bank accounts; issuing bank guarantees; acquiring claims of such foreign persons; participating in financial leasing operations.

27.6 What approvals are required to purchase shares in Russian banks?

Current restrictions provide for different requirements with respect to purchasing equity in Russian banks depending on the residency of prospective sellers and buyers. Transactions between Russian residents and residents of unfriendly states are restricted.

Starting from 1 January 2023, residents of unfriendly states are prohibited from selling shares or otherwise disposing of their participation in certain Russian banks without the consent of the Russian president.

Acquiring or selling more than 1% equity in other banks requires permission of the Government Commission on Control over Foreign Investments in the Russian Federation (the ‘‘**Government Commission’’**) if at least one of the parties to such transaction is a resident of an unfriendly states.

Transactions between residents of the Russian Federation must meet certain requirements.

Prior approval of the Bank of Russia is required if a purchaser obtains control over more than:

- 10%, 25%, 50% or 75% of the shares of a Russian bank (if such bank is a joint-stock company)

- 10%, one-third, 50% or two-thirds participation interest in a Russian bank (if such bank is a limited liability company)

Prior approval of the Bank of Russia is also required to obtain direct or indirect control over shareholders owning more than 10% of the shares (participation interest) of a Russian bank.

Under certain circumstances, banks have to cooperate with the Federal Antimonopoly Service (''**FAS**''). For example, for mergers banks must obtain preliminary clearance from FAS if the purchaser will acquire more than 25% in the charter capital of a bank and if the target bank's assets exceed RUB 29 billion.

27.7 What are the anti-money laundering requirements in Russia?

Based on recommendations made by the Financial Action Task Force (FATF) on Money Laundering, the State Duma adopted the Anti-Money Laundering Law.

The Anti-Money Laundering Law imposes certain requirements on credit organizations, professional participants of securities markets, insurance and leasing companies, postal services and other entities that deal with the transmission of money or other valuables.

These entities must: identify clients and beneficiaries pursuant to a

specific procedure; require certain information on payers in payment orders, report to the Federal Financial Monitoring Service on certain types of transactions of RUB 1 million or more, and transactions with real property exceeding RUB 5 million, and all complex or unusual transaction schemes that have no apparent economic or lawful purpose irrespective of their amount; identify foreign public officials and the sources of their money and other property; pay close attention to transfers of monetary funds and other property between foreign public officials and their close relatives.

27.8 What are the capital adequacy requirements in Russia?

Regulation of the Bank of Russia No. 646-P ‘‘On Methods for Calculation of the Capital of Credit Organizations’’ dated 4 July 2018 implemented the rules of Basel III on capital adequacy in Russia. It should be noted that the capital adequacy rules are tighter than the default rules suggested by the Basel Committee. Under Russian law, the minimum capital adequacy ratio that banks are required to maintain is calculated (on an unconsolidated basis) as the ratio of a bank’s owned funds (its capital) to the total amount of its risk-weighted assets. The minimum total capital adequacy ratio required by the Bank of Russia is 8%. If the total capital adequacy ratio of a bank drops below 2%, the Bank of Russia should revoke its banking license.

In 2022, 2023 and 2024, the Bank of Russia temporarily eased certain capital requirements for banks to preserve the stability and liquidity of the banking sector. It is expected that standard requirements will be reinstated in 2025.

28. Currency Regulations

28.1 What counter sanctions restrictions apply to settlements with counter-parties from unfriendly state?

In response to international sanctions against Russia, imposed by a number of countries, the so-called ‘‘Unfriendly States’’, in 2022, 2023 and 2024 Russian authorities introduced substantial capital and currency control restrictions that affect cash flows between Russian residents and non-residents. The major restrictions are described below. The questions and answers that follow should be considered along with the described regulations.

Presidential Decree No. 79 dated 28 February 2022: A Russian resident must obtain approval from the Government Commission on Control over Foreign Investments in the Russian Federation (the ‘‘**Government Commission**’’) prior to transferring any funds in any currency other than rubles to non-Russian residents under loan agreements (including the provision of such loans, repayments or prepayments of such loans). Certain exemptions are available and their applicability should be verified on a case-by-case basis.

Presidential Decree No. 81 dated 1 March 2022: The decree requires obtaining approval from the Government Commission prior to providing ruble-denominated loans to borrowers from unfriendly states and/or borrowers under the control of individuals/entities from unfriendly states. Certain exemptions are available and their applicability should be verified on a case-by-case basis.

Presidential Decree No. 95 dated 5 March 2022: The decree requires prior approval from the Russian Ministry of Finance for making any payments under loans, facilities, guarantees, securities and other financial instruments exceeding RUB 10 million (or its equivalent in other currency at the Bank of Russia exchange rate) per month to (i) foreign creditors related to unfriendly states, and/or (ii) foreign

creditors controlled by individuals/entities from unfriendly states. In the absence of the ministry's approval, a Russian debtor is entitled to discharge its obligations by making payments to a special ruble S-type account opened in the name of a foreign creditor with a Russian bank. In practice this means that the repatriation of such funds out of Russia may not be possible.

Presidential Decree No. 254 dated 4 May 2022: Payments of profit (dividends), decrease in share capital or liquidation exceeding RUB 10 million (or its equivalent at the Bank of Russia exchange rate) per month to foreign participants (shareholders) related to unfriendly states, or participants (shareholders) controlled by persons related to unfriendly states are restricted. Such payments must be made in accordance with Presidential Decree No. 95 dated 5 March 2022.

Presidential Decree No. 126 dated 18 March 2022: Russian residents are prohibited from investing in the share capital of non-Russian legal entities or partnerships and joint ventures with non-Russian residents until 31 December 2024. Such investments require permits issued by the Bank of Russia.

The Bank of Russia issues permits on an individual basis and general permits for all Russian residents. Based on the general permits announced by the Bank of Russia on 6 March 2024, it is not necessary to obtain an individual permit in the following cases:

- the transaction is made in rubles or foreign currency for a total amount not exceeding the equivalent of 15 million rubles at the official exchange rate of the Bank of Russia on the date of payment;

- the aggregate volume of the resident's transactions made from 1 April 2024 in favor of one non-resident legal entity shall not exceed 15 million rubles or its equivalent.

28.2 What currencies can be used for settlement in Russia?

The Civil Code states that the Russian ruble is the national currency and legal tender of the Russian Federation. The Civil Code, however, permits the use of foreign currency in cases provided for by law. Federal Law No. 173-FZ ''On Currency Regulations and Currency Control'' dated 10 December 2003, as amended (the ''**Currency Law**''), establishes the basic rules of the currency regulation and control regime in Russia. This law also mentions cases in which foreign currency can be used to settle transactions in Russia.

28.3 Which transactions are subject to currency regulation in Russia?

The Currency Law regulates a broad range of currency operations, including: payments in a foreign currency; transfers of foreign securities; ruble transfers between a Russian resident and a non-resident or between two non-residents; transfers of domestic securities between a resident and a non-resident or between two non-residents; import and export of rubles and securities; transfers of funds and securities from the overseas account of a resident into a domestic account, and vice versa; transfers of rubles and securities between the domestic accounts of a non-resident; clearing settlements; settlements between commission agents and principals connected with clearing; and settlements under derivative transactions.

28.4 Who are considered residents and non-residents under Russian currency control regulations?

The Currency Law divides individuals and legal entities into residents and non-residents.

Residents include: Russian citizens and other individuals whose

permanent place of residence is the Russian Federation on the basis of a Russian residence permit; legal entities established in accordance with Russian legislation; representative offices (branches) of Russian legal entities outside Russia; the government of the Russian Federation, constituent entities of the Russian Federation and municipal units.

Non-residents are defined as: individuals who do not qualify as residents; legal entities incorporated outside Russia; enterprises/ organizations that are not legal entities, organized and located outside the Russian Federation; representative offices or branches of foreign legal entities in Russia.

28.5 Are there any special currency control rules in Russia?

The following currency control requirements apply to Russian residents:

- Russian residents must comply with the restrictions on transactions with counterparties from unfriendly states referred to in the introductory part of this chapter, as well as some other specific transactions (e.g. with securities, real estate, shares or participatory interests in Russian legal entities, payments for gas, IP rights, aircraft lease etc.);

- generally, Russian companies must remit all foreign currency export proceeds to their Russian bank account(s) (repatriation of currency proceeds), subject to certain exceptions. However, the repatriation requirement temporarily does not apply under Presidential Decree No. 529 dated 8 August 2022. Presidential Decree No. 771 dated 11 October 2023 introduced repatriation requirements for major exporters in the fuel and energy complex, ferrous and non-ferrous metallurgy, chemical and timber industries, and grain farming sectors;

- cash exports are subject to restrictions;

- when a Russian company or individual opens an overseas account, they must notify the Russian tax authorities and present regular reports on the cash flow in such accounts.

28.6 What are the requirements under Russian Currency Law for transactions between local and foreign counterparties?

A Russian counterparty (which is not a bank) must comply with certain requirements in connection with payments to a foreign lender or another counterparty (export/import transactions).

Pursuant to Instruction of the Central Bank of Russia No. 181-I dated 16 August 2017, Russian residents are required to:

- record contracts with an authorized bank, if the amount of liabilities under the relevant import or loan contract exceeds RUB three million or RUB 10 million under export contracts provide supporting documents related to currency operations (or to transactions under one contract).

29. Public-Private Partnerships (PPPs)

29.1 What is the legal framework for public-private partnerships (PPPs)?

Russian law defines public-private partnerships as a collaborative agreement between a public sector and a private sector, where both parties share resources and risks to achieve a common goal, such as improving public services, infrastructure, or economic development, through a mutually beneficial partnership. The legal framework for public-private partnerships in Russia is established by the Constitution, Civil Code, Budget Code, and other legislative acts and decrees at the federal level. Certain subjects of the Russian Federation have also developed their own PPP legislation, which must be consistent with federal regulations. Furthermore, the Russian courts have built a substantial body of jurisprudence on PPPs, providing a valuable resource for informing decision-making and clarifying the interpretation and application of relevant laws and regulations.

In Russia the two key laws that govern PPPs are Federal Law No. 224-FZ on Public Private Partnerships, Municipal Private Partnerships (the "**PPP Act**") and Federal Law No. 115-FZ on Concession Agreements (the "**Concessions Act**"). These laws provide the express legal authority required for PPP projects, and their provisions will be relied upon to interpret the contractual agreements entered into between procuring authorities and private sector partners.

29.2 What are the main differences between the PPP Act and Concessions Act?

The key differences lie in ownership rights, state control, and scope of application.

Under the PPP Act, the private partner obtains ownership rights, whereas under the Concessions Act, the private partner is granted

possession and use (lease) rights. The PPP Act also prohibits state-controlled entities from participating as the private partner, whereas the Concessions Act allows for their participation.

Finally, the scope of application differs between the two laws, although there is some intersection in major sectors of the economy like transportation, energy, IT and telecommunications, healthcare and social infrastructure, and waste treatment.

29.3 Are there well-defined procurement procedures for PPP projects?

Yes, Russia has a robust legal framework governing procurement procedure for PPP projects.

Both the PPP Act and Concessions Act contain detailed procedures for PPPs, which aim to secure the best value for money for the public sector by promoting non-bias and competition.

The procurement procedures are clear, well-understood by the bidding community, and aligned with international standards.

29.4 Do the procurement procedures for PPP projects ensure fairness, transparency, and equal treatment of bidders?

Yes, the procurement procedures for PPP projects in Russia are designed to ensure fairness, transparency, and equal treatment of bidders. Transparency is achieved through clear and detailed procurement rules, which are strictly adhered to by the authority.

Bidders are provided with a clearly defined scope, including requirements, pricing, and technical specifications, as well as the ability to raise clarifications during the process. The authority is required to provide the same information to every potential bidder, disclose selection criteria, and document selection proceedings.

Additionally, decisions to disqualify a participant or deny a contract can be challenged in court.

Starting in 2026, all tenders under the PPP Act or Concessions Act will be conducted via an electronic procurement platform, which records all tender materials from announcement to contract award, further enhancing transparency.

Furthermore, amending a PPP or concession agreement after award is generally permitted if it does not harm competition, but may be considered a circumvention of antitrust regulations if it does.

29.5 Is there a legal framework for private finance initiatives (PFIs)?

Yes, both the PPP Act and Concessions Act provide for private finance initiatives (PFIs).

The PFI mechanism allows private partners to submit proposals, including financial models, to the public partner. If the proposal is deemed viable, a tender is announced, and if no other bids are received within a limited time, the initiator is granted the PPP or concession award. However, if another bidder submits a proposal, the PFI transforms into a normal tender process.

The PFI mechanism also enables initiators to engage with authorities prior to formal submission of the PFI application, which may not be possible under normal PPP procedures.

29.6 Can direct agreements between the public authority and lenders be entered into?

Yes, in Russia, direct agreements between the public sector contracting authority, the private partner, and lenders can be entered into to mitigate project risks.

Both the PPP Act and Concessions Act specifically allow for such direct agreements to be entered into, which provides lenders with additional security by granting them the right to claim receivables that the private partner is entitled to under the PPP or concession agreement.

This means that lenders can have a direct claim on the project's revenue streams, which can help to reduce their risk exposure and increase their confidence in the project.

29.7 How are risks typically allocated between the public authority and private partner?

While the exact allocation of risks is project-specific, the following general description outlines the typical expectations for risk allocation between the public authority and private partner in Russia:

29.7.1 Private Sector Risks

Private sector companies bear the risk of non-performance, including construction, operational, and maintenance risks. The private sector also bears the risk of insurable events, such as damage to equipment or facilities, but can mitigate this risk through insurance.

29.7.2 Public Sector Risks

The public sector typically assumes macroeconomic risks, such as inflation, unless the private sector can hedge or manage them. The public sector is also typically responsible for compensating the private sector for changes in law or regulation that affect the project.

29.7.3 Force Majeure

Force majeure events such as natural disasters are typically shared between the parties, but the definition of force majeure may vary.

29.8 How does the public sector provide the land required for the project?

In Russian PPP projects, the public sector provides the land required for the project via a separate land lease agreement with the private partner. This agreement is subordinate to the PPP or concession agreement and has a limited term that cannot exceed the term of the PPP or concession agreement. This ensures that the land lease term is aligned with the project's overall duration.

Notably, the private partner is exempt from participating in a public auction to obtain the land plots, which is typically the case for other projects. Instead, the private partner can obtain the land plots directly, facilitating the project's implementation.

29.9 How does the authority manage the contract and ensure the private partner's performance?

After the contract is signed, the authority's role shifts from negotiating the terms of the agreement to managing the contract and ensuring that the private sector delivers the project in accordance with the contractual terms. In general, the authority does not interfere with the private sector's delivery of the project, provided that the project is being delivered within the contract specification.

However, the authority can request material changes to the project through the contract variation procedure, but only under exceptional circumstances. As noted above, amending a PPP or concession agreement after award is generally permitted if it does not harm competition, but may be considered a circumvention of antitrust regulations if it does.

29.10 How are project costs and revenues shared between public and private sectors?

In Russian PPPs, the project costs are shared between the public and private sectors through a payment mechanism that is specified in the PPP or concession agreement.

The private sector, through the project SPV, is responsible for funding the capital costs of the project, and recovers these costs, along with financial returns and operating costs, over the operational life of the project.

The public sector makes payments to the project SPV through a combination of regular payments, user charges, or a mix of both. The payment mechanism is designed to ensure that the project SPV recovers its costs and generates a return on investment. The public sector may also provide government grants to cover some of the capital costs, which can help reduce the required user charge and make the project more affordable for users.

29.11 Does PPP legislation provide a stabilization regime?

Yes, both the PPP Act and Concessions Act provide a stabilization regime that guarantees the rights of private investors and funding organizations. For further information on the legal framework protecting foreign investment, please see the section on ‘‘Promoting Legal Investment’’.

29.12 Are there any tax or accounting issues that affect the affordability of PPPs?

There are certain tax benefits available for private partners investing in PPPs. These tax benefits may be granted by the regional Governments and usually include reduced regional corporate profits tax rate and

exemptions from property tax and land tax. The applicable criteria vary by regions. For example, in Moscow, PPPs qualifying as 'investment priority projects' may enjoy a 3.5% reduction in the corporate tax rate, full exemption from the corporate property tax, and a 99.3% reduction in the land tax.

30. Competition Protection Law

30.1 What is the Russian Competition Law about?

The Competition Law is aimed to protect competition in the Russian market, and hence, addresses various areas, including abuse of market dominance, anti-competitive agreements, concerted practices between companies (including cartels), anti-competitive agreements between companies and government authorities, merger control requirements for M&A deals, unlawful coordination of economic activities of third companies, requirements for public procurement tenders companies, requirements for the transfer of state-owned property, state aid, unfair competition/marketing.

The Competition Law has extraterritorial effect and applies to agreements concluded and actions taken outside Russia, including by non-Russian persons, if they affect competition in Russia.

30.2 Who is the watchdog?

The Federal Antimonopoly Service (FAS), including is regional divisions, is the main authority responsible for enforcing antitrust laws in Russia.

30.3 What is dominance? What restrictions apply to dominant persons?

As a general rule, dominance is presumed if a company (its group) has a market share exceeding 50%. However, for entities with a market share between 35% and 50%, FAS must establish the market dominance based on special criteria (degree of influence on the market, market concentration, barriers to entry of new players into the market, etc.). For entities with a market share below 35%, there is a presumption of non-dominance.

A dominant position as such is not illegal. However, the Competition Law prohibits *abuse of dominance*, which may be expressed in various *forms of dominance abuse*, including:

- Setting and/or maintaining monopolistically high or low prices
- Withdrawal of goods from circulation if this leads to higher prices for such goods
- Creation of discriminatory conditions, i.e., those that place one or more business entities in an unequal position compared to other entities
- Unjustified imposition of contractual terms that are disadvantageous to the other party or do not relate to the subject matter of the contract
- Stopping or decreasing the production of goods for which there is consumer demand if it is possible to produce such goods on a profitable basis
- Unjustified refusal to deal with a particular customer if it is possible to sell goods
- Unjustified setting of different prices for the same goods
- Creation of barriers to market entry or exit for other business entities
- Violation of pricing rules established by legislation
- Price manipulation in the wholesale and/or retail electricity markets

There are *different (lower) market dominance thresholds* that apply in certain industries (e.g., 10% share for a financial organization operating in any single market, 25% share for a telecom operator in the mobile radiotelephone services market, 20% share for entity in the electric energy sector).

The Competition Law also uses the concept of *‘‘collective dominance,’’*which is deemed to exist if all of the following criteria are met: (1) the market share of up to three companies exceeds 50%, or the market share of up to five companies exceeds 70%, and at the same time the share of each such company is at least 8% and exceeds the shares of other market players, (2) during a significant period (at least one year), the shares of companies are quite stable and there are barriers to market entry, (3) products cannot be substituted, any price increase does not entail a proportionate decrease in demand, and the information on prices and sales terms is publicly available.

30.4 What arrangements and actions are anticompetitive?

The Competition Law prohibits *horizontal, vertical and other agreements* and arrangements that lead or may lead to the restriction of competition, including:

- *Cartels*, i.e., agreements concluded between competitors, if such agreements lead to the setting of prices (discounts, bonuses), manipulating prices at tenders, dividing the market by territory, sales volume or range of sellers/buyers, refusing to deal with particular sellers/customers, decreasing productions.

- *Concerted actions*, i.e., actions of competitors carried out without an express agreement but having have the following signs: (i) its outcome meets the interest of each of the participants; (ii) each participant is aware of these actions due to a public announcement; and (iii) the actions of each participants are based on the actions of other entities.

- *Vertical agreements*, i.e., agreements between companies at different levels in the supply chain, if they lead to resale price fixing (except for a maximum resale price) or impose an obligation on the buyer not to sell a competitor's products (except for mono-brand sale of products under the trademark).

- Agreements between economic entities acting in *wholesale and/or retail electricity markets* and commercial or technological infrastructure markets if such agreements lead to price manipulation in the wholesale and/or retail electricity markets.

- *Unlawful coordination of economic activities* of entities by a third person who does not belong to the group of persons and does not act on the relevant market (a-ka "hub and spoke" known in other jurisdictions).

- In addition, the Competition Law prohibits *other agreements* that lead or may lead to the restriction of competition as may be determined by market analysis (in particular, imposing unfavorable conditions, setting different prices without economic or technological justification, creating barriers for third parties, etc).

However, some agreements are exempt from restrictions, such as:

- Vertical agreements between entities having a market share of less than 20% or commercial concession (franchise) agreements. In addition, the Russian government has introduced general and specific block exemptions rules in a number of economic areas (e.g., credit and insurance organizations) that automatically render a vertical agreement permissible if it meets certain terms and conditions.

- A joint venture agreement between competitors provided FAS preliminarily approved it.

- Intra-group agreements (entered into between companies of the same group of persons having controlling rights through 50%+ ownership or by performing the CEO functions).

- Agreements on the transfer of IP rights.

- Agreements that are recognized as permissible if they do not lead to the elimination of competition or impose excessive restrictions on third parties, or such agreements have positive effects that outweigh possible negative consequences.

The Competition Law also contains certain restrictions applicable to *agreements and actions by state authorities and third parties performing state functions* (including restrictions on the movement of goods within Russia, limitations on the right to select suppliers; discriminatory conditions; breaching procedures of granting state preferences).

Separately, the Competition Law lists actions prohibited at public procurement tenders (e.g. unjustified setting preferential conditions, breaching procedures for determining the winner and restricting participation in tenders), specifically *agreements between tender organizers and tender participants*. In addition to the Competition Law, there is a special legislation that details requirements for public procurement tenders and tenders organized by state corporations and state-controlled companies.

30.5 Is state aid regulated?

The Competition Law defines *''state (or municipal) aid''* as granting an entity certain privileges over other market participants, ensuring more favorable conditions for its activity in the relevant market.

State aid may be granted upon a prior written approval of FAS in order to support social important projects (e.g. developing science

and education, protecting the environment, agricultural production, protecting health and labor, rendering support to small or medium businesses, etc.).

30.6 What is the legal framework for control over M&A deals?

Merger control is subject to antitrust review if it involves:

- Acquisition of voting shares and participatory interests (more than 25%/50%/75%) in Russian entities

- Acquisition of rights to determine the terms and conditions for carrying out the business activity in Russian entities (effectively, acquisition of control over Russian entities)

- Acquisition of voting shares, participatory interests or rights in (control over) *foreign* companies supplying goods to the Russian Federation worth more than RUB 1 billion during the year preceding the transaction

- Acquisition of main production (fixed) assets or intangible assets located in Russia, if the book value of fixed and/or intangible assets being acquired exceeds 20% of sum of fixed and intangible assets of the seller

- Acquisition of voting shares, participatory interests, right or assets of Russian financial organizations

- Conclusion of joint venture agreements in Russia between competitors (e.g., co-marketing agreement, co-production agreement, etc)

- Mergers of Russian entities

- Establishment of entities whose charter capital is paid by up by shares, participatory interests or assets (fixed or intangible assets) of other entities.

Prior to entering into any of the above deals an acquirer is obliged to make a prior merger control filing / obtain a prior approval of FAS, or in certain types of intra-group transactions - make a post-closing notification to FAS.

The filing thresholds are the following:

(1) in case of the acquisition of voting shares, participatory interests, rights and assets:

(A) The latest aggregate book value of total global assets of the target and its global group (excluding the seller) alone exceeds RUR 800 million; **AND EITHER**

(a) the latest aggregate book value of total global assets of all entities in the acquirer's and the target's global groups exceeds RUR 7 billion; **OR**

(b) the combined global revenues from the sale of goods and services during the calendar year preceding the year of the acquisition of all entities in the acquirer's and the target's global groups exceed RUR 10 billion.

OR

(B) The transaction price exceeds RUR 7 billion.

(2) In case of joint ventures:

(a) the latest aggregate book value of total global assets of all entities in the acquirer's and the target's global groups of the JV entities

exceeds RUR 7 billion; **OR**

(b) the combined global revenues from the sale of goods and services during the calendar year preceding the year of the acquisition of all entities in the acquirer's and the target's global groups of the JV entities exceed RUR 10 billion.

(3) Special thresholds apply to *financial organizations' transactions* (including leasing companies, clearing organizations, insurance companies, etc). In fact, different thresholds apply to different types of financial organizations.

The obligation to do the *prior merger control filing* in Russia is always on the buyer (acquirer). The acquirer must submit the application to FAS along with supporting documents from both the acquirer, seller and target (including corporate and financial documents and information, detailed group disclosure from both parties to the transaction, detailed production and sales data, defining the subject and content of the transaction, foundation corporate documents, data on the main types of business activity, etc.). The Competition Law requires the *post-transaction notification* of FAS within 45 days, provided that the group structure is submitted to FAS no later than one month before the transaction and the group structure does not change until after the transaction.

FAS has 30 days to the review the filing. This term can be extended to 2 months, if FAS sees risks for competition or there are other technical or administrative reasons for extension.

If the buyer fails to do the filing, or if FAS considers the way the parties complete the transaction as still violating the Russian competition law, the buyer will be subject to a one-time administrative fine of up to RUB 500,000 if the buyer is a legal entity, and its executive officers will be subject to a fine of up to RUB 20,000.

On top of the fines, FAS is entitled to file a claim with a Russian court and try to invalidate the deal, but for this FAS will have to prove that the transaction restricted or could have restricted competition, including as a result of creation or strengthening of a dominant position, due to closing without the FAS's approval.

30.7 What competition rules exist for unfair competition and marketing?

Unfair competition is prohibited in Russia, and FAS enforces rules on unfair marketing. Unfair competition is considered to be an action committed by a legal entity or individual that is (1) aimed at acquiring a competitive advantage in a commercial activity, (2) is contrary to the law, business customs or requirements of good faith, reasonableness and fairness, and (3) has caused or may cause losses to other competing legal entities or damage their business reputation.

Specifically, an entity may be liable for unfair competition if it:

- disseminates false, inaccurate or distorted information;
- misleads consumers about the nature, methods and place of production, as well as consumer characteristics and quality of goods;
- incorrectly compares the goods produced or sold by another commercial entity with the goods of other entities;
- sells goods that illegally use another's IP or means of identification (trademarks, logotypes, brands, etc);
- creates confusion with a competitor's product style or design;
- receives, uses and discloses commercial, official or other secrets without the consent of other commercial entity;

- otherwise competes unfairly (e.g., uses another person's business reputation, unfair advertising).

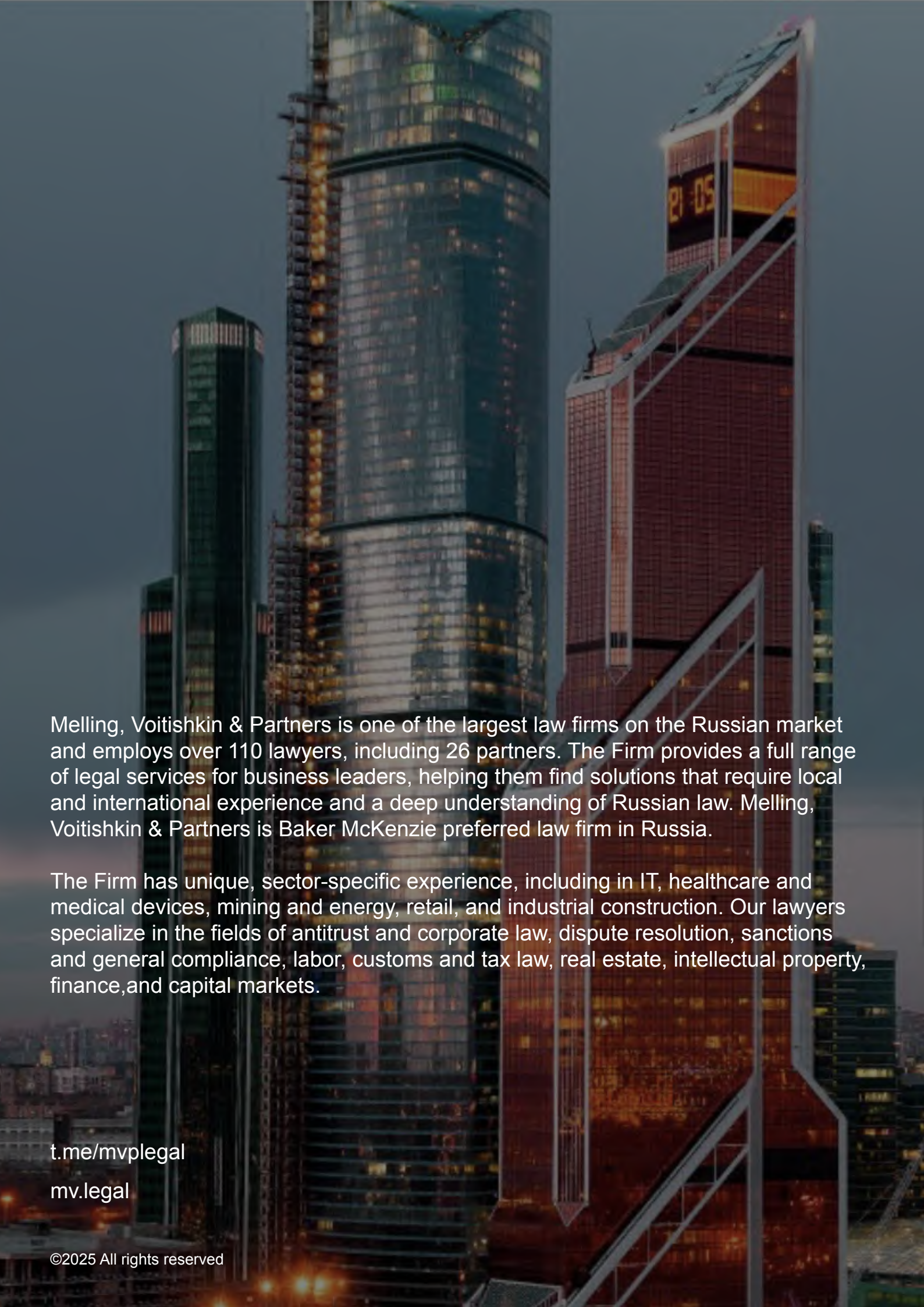
30.8 What competition rules apply in the Eurasian Economic Union (EAEU)?

Russia is a member state of the EAEU, and there are special competition rules in the EAEU. Russia is a party to the Agreement on the EAEU dated 29 May 2014, along with Belarus, Kazakhstan, Armenia and Kyrgyzstan (the ''**Agreement**'').

The Agreement on the EAEU contains antitrust prohibitions similar to those outlined in the Competition Law, including unfair competition, abuse of dominant positions, anti-competitive agreements and coordination of economic activities (except for anti-competitive agreements with state bodies, anticompetitive behavior in the public tenders and merger control rules).

The main criterion to be met for the Agreement to cover a particular violation is that such violation occurs in a cross-border market (i.e. a market may be deemed cross-border if its geographic boundaries cover the territories of two or more-member states of the EAEU).

The Eurasian Economic Commission has enforcement powers similar to those of FAS, including the right to request information from companies (or national competition authorities to conduct antitrust inspections), initiate and investigate antitrust cases, and impose fines.



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