

This article covers outstanding issues connected with the adoption of Federal Law No. 134-FZ "On Introduction of Amendments to Certain Laws of the Russian Federation with Respect to Countering Illegal Financial Operations" dated June 28, 2013 ("Federal Law No. 134-FZ") and Federal Law No. 155-FZ "On Introduction of Amendment to the Federal Law of the Russian Federation 'On Currency Regulation and Currency Control'" ("Federal Law No. 155-FZ") (collectively referred to as the "Laws").

Federal Law No. 134-FZ was published in the Russian official daily *Rossiyskaya Gazeta* on June 30, 2013 and is effective upon the date of publication (except certain provisions with a deferred coming into force). The Federal Law No. 155-FZ is effective from July 14, 2013.

The Laws are aimed at strengthening of the stability of Russia's financial system and making the sector more transparent for the regulatory bodies. The Laws enact, among others, the following changes:

Legal Entities Registration: A Doctrine of "Unified State Register Credibility"

Federal Law No. 134-FZ sets forth new rules for the process of legal entities registration. From the effective date, a company may be held liable for third party damages, incurred due to the company's misrepresentation or either failure to perform or violation of discovery procedure of Unified State Register of Legal Entities ("EGRUL"). To mitigate the risks related to registration of "fake" entities used for evading the law, Federal Law No. 134-FZ authorizes registration bodies to conduct due diligence of the documents provided by the company.

These two provisions together form a new doctrine of "Unified State Register Credibility": therefore, contracting parties from now on may fully rely on the information indicated in EGRUL and, as stated above, claim damages, if it turned out to be misrepresentation.

"Fit and Proper Test": New Criteria

Starting from July 2013, shareholders (owning more than a 10 percent stake), executives and management of a Financial Organization (i.e. Insurance Company, Microfinance Institution, Equity Fund Management Company, and Security Industry Participant) are subjects of a further developed "fit and proper" test:

- A person cannot hold directly or not, solely or jointly with entities affiliated with such a person, more than 10 percent of voting rights in a Financial Organization, if he or she has an outstanding conviction, or a conviction that is not expunged, for white-collar crimes or offences against the State;
- A person cannot be appointed as executive or to the managerial body of a Financial Organization if (i) he or she acted as a sole executive of the Financial Organization during the time such Financial Organization's license was withdrawn; or (ii) was administratively disqualified from the office, and the term of such disqualification has not yet expired; or (iii) has an outstanding conviction, or a conviction that is not expunged, for white-collar crimes or offences against the State.

Federal Service for Financial Markets Notification Requirements

According to Federal Law No. 134-FZ a person who directly or not, solely or jointly holds 10 and more percent of voting rights in a Financial Organization is obliged to file a notification with the Federal Service for Financial Markets ("FSFM"). Failure to notify the FSFM would result in shares granting more than 10 percent votes to be non-voting. Such shares would not be taken into account in quorum determination, which may lead to potential challenging of shareholders' meeting resolutions.

The above described provisions are not applied to credit organizations acting as security industry participants.

Amendments to List of Currency Operations

The following currency operations from July 14, 2013 have become applicable to residents according to Federal Law No. 155-FZ:

- Currency transfers from a resident's account opened outside the Russian Federation to another resident's account opened in the Russian Federation and vice versa.
- Currency transfers from a resident's account opened outside the Russian Federation to another resident's account opened outside the Russian Federation.
- Currency transfers from an account opened outside the Russian Federation to another account opened outside the Russian Federation owned by a resident.

Should you have any questions, do not hesitate to contact your usual Squire Sanders lawyer or one of the persons indicated in this article.

Contact

Sergey Treshchev

Partner, Moscow

T +7 495 258 5250

E sergey.treshchev@squiresanders.com

Ilya Putilin

Legal Trainee, Moscow

T +7 495 258 5250

E ilya.putilin@squiresanders.com

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