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Russia's New Investment Protection Steps Impose Criminal Liability for False Documents and Data

Foreign investors are often wary of investing in Russia. Such attitudes are attributable in part to frequent theft, according to prominent US venture fund managers who met with Russian President Dmitry Medvedev on 25 May 2010. Such theft may be in the form of raids, i.e., illegal business seizure practices, which occur at times in Russia. These raids rely on methods such as illegally amending the shareholders' registers of joint stock companies or the uniform state register of legal entities, which contains data on participants in limited liability companies (LLCs) and other data on legal entities, as well as forging agreements on the alienation of participatory interests in LLCs. Other methods, such as holding illegal general meetings and forging their minutes, are also used.

On 1 July 2010 the President signed Federal Law No. 147-FZ (the Federal Law), aimed at countering raider attacks. The Federal Law went into effect on 5 July 2010. The previous antiraider package, adopted as Federal Law No. 205-FZ, went into effect on 21 October 2009, amending the procedure for a transfer of participatory interests in LLCs and introducing obligatory notarization of such transactions, among other things.

The Federal Law imposes criminal liability for any falsification of the uniform state register of legal entities or the register of securities holders, falsification of resolutions passed by a general shareholders

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(participants) meeting, and the seizure of alien assets through threats or violence. Such offenses are punishable by fines ranging from RUB100,000 to RUB500,000 (approximately US\$3,000 to US\$17,000) or by imprisonment — up to 10 years if the resulting consequences are grave.

The Federal Law also makes officials liable for the entry of expressly false data into uniform state registers and for any willful destruction or forgery of documents used to make any such entry.

If you would like to learn more about the new amendments or have any questions in relation to Russia's new measures that seek to prevent raider attacks, including notarization of participatory interests transfers, please contact your primary Squire Sanders lawyer or one of the individuals listed in this Alert.

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