

July 29, 2014

Dear Sirs,

We would like to update you on the latest news regarding adoption of the Law on introducing of requirements to process personal data of Russian nationals in Russia.

A new Federal Law № 242-FZ introducing amendments to the Federal Law “On personal data” and to the Federal Law “On information, information technologies and protection of information” (hereinafter – “**Law**”) has been adopted on July 21, 2014. The new Law introduces obligation of operators to store and process personal data of Russian nationals in the databases located in Russia. The introduced obligation will practically mean the companies operating in Russia and dealing with natural persons (for example, retailers, social networks, those operating in international transportation, banking and other similar spheres) will be forced to place their servers within Russia if they plan to continue making business in the market.

Still there are no official clarifications from the lawmakers and regulatory authorities regarding possibility of further processing of persona data in the databases abroad. Some mass media in Russia have interpreted provisions of the Law as banning of processing of Russian nationals personal data abroad. However until such opinion is confirmed by the competent authorities there is no particular clarity with this respect. There is a hope that the lawmakers’ intention was to develop Russian IT and telecom industry, rather than prohibition of processing of personal data abroad. We may suppose that the companies will be obliged just to ensure processing of personal data of Russian nationals in databases in Russia. Along with that and subject to compliance with cross-border transfer requirements they should be able to process this information in the data bases abroad.

The other novelty of the Law is that the Russian data protection authority is provided with the powers to block access to the information resources containing information processing of which is performed in breach of Russian laws. The regulatory authority will be able to undertake such actions in respect of all companies irrespectively of their location and registration in Russia. The procedure of access blocking to such resources may be initiated by the data protection authority only if there is a respective court judgment. Based on the court judgment the authority will be able to require a hosting provider to undertake measures on elimination of the infringements. The hosting provider must inform the owner of the information resource on necessity to undertake measures for elimination of the infringement or restrict access to the information which is processed with the infringements. In case of the owner’s refusal or inaction, the hosting provider is obliged to restrict the access to the respective information resource. If the above is not done in due terms the data protection authority may request communication operator to restrict access to the respective information resource, in particular to web address, domain name, references to the web pages in the Internet.

The Law will come into force from **September 1, 2016**. Evidently, this transition period is meant to give companies time to adjust and make business decision on whether to build up local infrastructure in Russia or find a partner having such infrastructure in Russia.

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We hope that you find this information helpful. Should you have any questions, please contact our Partner **Irina Anyukhina** (ianyukhina@alrud.com).

Kind regards,

ALRUD Law Firm

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