

Dear Sirs,

January 22, 2013

We advise you of the adoption of **Federal Law dated December 30, 2012 No. 302-FZ on Amendments to Chapters 1, 2, 3 and 4 of the Civil Code of the Russian Federation** (hereinafter - the "Law") that contains the first bundle of amendments to the Civil Code of the Russian Federation (hereinafter – the "Civil Code").

The Law provides for a number of amendments to the Civil Code as regards the fundamental principles of civil legislation, establishes corporate relations, sets forth the general rules for state registration of rights to property as well as the individual's legal status.

Please note the most significant provisions of the Law:

**1 Duty of good faith**

The Law stipulates that the parties to civil relations should act in good faith when establishing, exercising and protecting their civil rights and performing their civil obligations. The Law introduces a general rule under which no one is entitled to enjoy benefits resulting from illegal or inequitable conduct.

**2 Corporate relations**

As of now, the Law recognizes, corporate relations as a separate type of civil relations arising out of participation in corporate entities and corporate governance. Therefore, resolutions adopted by corporate bodies become a new ground for establishing civil rights and obligations. A list of the remedies available was supplemented with a new option, being the invalidation of the corporate bodies' resolutions.

**3 Customary practice**

The term of customary business practice is amended by excluding the word "business" from the definition.

**4 State registration of rights to property**

The newly proposed Article 8.1 of the Civil Code sets forth several principles for conducting state registration, such as verification of legality of the grounds for registration, publicity and credibility of the state register. Agreements relating to rights to property that are subject to state registration require notarisatio<sup>n</sup> only to the extent provided for by the law or by mutual consent of the parties thereto.

The state registration of the following immovable property agreements will no longer be subject to registration under the Law:

- Sale and purchase agreements of residential real estate;
- Sale and purchase agreements in respect of businesses;
- Gift deeds in respect of immovable property;
- Contracts of annuity in respect of transfer of immovable property;
- Lease agreements in respect of immovable property for a term of more than one year;
- Lease agreements in respect of businesses.

The Law clarifies the rules for registration of rights based on legal provisions.

The Law provides for entering on the state register objections raised by the persons whose rights were registered at any prior date, with following litigation and records on litigated matters relating to immovable property which should be entered on the register as requested by the person challenging its registered rights.

**5 Circumvention of law and recovery of damages caused by the abuse of rights**

The amended Civil Code provides for a new category of the abuse of rights: circumvention of law with an unlawful purpose. In addition to a refusal of the courts to protect the rights of a person abusing them, the Law provides for that the affected party may claim the recovery of damages caused by the abuse of rights.

**6 Compensation of damages caused by lawful acts of public authorities**

The Law establishes an obligation of the public authorities to compensate the damage caused by lawful acts of state and municipal authorities, officials and any other persons to whom the state delegated the public authority in the manner provided for by the law.

**7 Name of an individual**

A name as well as a nickname of an individual can only be used by any third parties with the consent of such individual so that no confusion of persons or abuse of rights arise therefrom.

**8 Place of residence of an individual**

Under the Law, an individual is liable for legal implications resulting from the disclosure to creditors of false information about his/her place of residence.

**9 Individual's legal capacity**

The law introduces two new grounds based on which, the legal capacity of an individual may be restricted: (1) as a result of gambling and (2) as a result of a mental illness, where the individual is capable of understanding the consequences of his actions and controlling them only through the assistance of other persons.

The majority of the amendments specified will come into effect on March 1, 2013.

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For more information on ALRUD Competition practice please visit our **Web-site** or contact directly **Senior Partner, Vassily Rudomino** [vrudomino@alrud.com](mailto:vrudomino@alrud.com).

Yours faithfully,  
ALRUD Law Firm

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