

January 27, 2012

Dear Sirs,

This is to inform you about the recent amendments to the Russian laws dealing with foreign investments and investments in the strategic sectors of economy, namely the Federal Law №160-FZ dated July 9, 1999 “On Foreign Investments in the Russian Federation” (“Foreign Investments Law”) and the Federal Law №57-FZ dated April 29, 2008 “On Procedures for Foreign Investments in Companies Having Strategic Importance for National Defense and State Security” (“Strategic Investment Law”). The necessity to introduce certain changes in the current regulation was caused by the fact that foreign investors faced numerous difficulties in practical implementation of the named laws.

The amendments are intended to simplify procedures for foreign investments in several strategic sectors and specify the status of a foreign investor.

Amendments to the Foreign Investments Law exclude the requirement to obtain a prior clearance for acquisition of more than 25% shares/participation share or other rights to block decisions of a Russian legal entity for:

- international financial organizations, founded under international treaties and in which the Russian Federation participates as a member, or
- international financial organizations, with which the Russian Federation has entered into international agreements.

The list of such financial organizations is to be approved by the Government of the Russian Federation. The said organizations are also exempt from the scope of regulation of the Strategic Investment Law. It is expected that from the new provisions mostly will benefit the European Bank for Reconstruction and Development, Eurasian Development Bank and other financial organizations operating in Russia.

The following amendments to the Strategic Investment Law are introduced:

- From the scope of application of the Strategic Investment Law are excluded the activities of the companies related to:
  - use of sources of radiation in civil economy sectors by companies, for which using the sources of radiation is not their main activity (for example, medical centers);
  - distribution, technical support of cryptographic (encryption) means and rendering services in the sphere of information encryption by banks with no participation of the Russian Federation.
- From the regulation of the Strategic Investment Law are excluded transactions executed by foreign legal entities controlled by the Russian Federation or Russian citizens provided the latter are tax residents of Russia and don't have a dual citizenship.

- The threshold for clearance of transactions which involve strategic companies using federal subsoil plots is increased. Under the amended provisions the consent of the Governmental Commission for Control over Foreign Investments in the Russian Federation (hereinafter – the Governmental Commission) is required for acquisition of 25% or more shares of strategic companies using federal subsoil plots. The list of the federal subsoil plots is subject to official publication by the Federal Agency for Subsoil Use. These provisions will mainly concern the companies exploring and developing mineral deposits.
- The requirement to obtain the consent of the Governmental Commission for acquisition of shares of strategic companies using federal subsoil plots in case the transaction does not result in changing of the foreign investor's interest in the company (for instance, in case of the additional issue of shares) is excluded.

The above said amendments became effective on December 18, 2011.

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We hope the information above is helpful for you.

For more information on ALRUD Competition practice please visit our **Web-site** or contact directly **Senior Partner, Head of ALRUD Competition practice Vassily Rudomino (vrudomino@alrud.ru)**.

Kind regards,

ALRUD Law Firm

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