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RUSSIA

Duma Seeks to Abolish Notarization Fees for Mortgage Contracts

The Russian Federation (RF) Duma recently passed, in its first reading, amendments to the RF Civil Code and the Mortgage Law that would abolish the mandatory requirement to notarize mortgage contracts. Under current Russian law, a pledge of real property is not valid if the mortgage contract is not notarized and registered.

Borrowers and lenders frequently resist notarizing mortgage contracts because of the expense involved. Under the Law "On State Duty," the mandatory fee for notarization of such contracts is 1.5% of the value of the property. It is unclear whether the bill will ultimately pass through its third reading and be approved by the Federation Council and the President. Certain Russian Government officials maintain that notarization of mortgage contracts is necessary to prevent fraud. They also point out that changes to the law are not necessary, since the current draft amendments to Part II of the Tax Code provide for a reduction of notarization fees for mortgage contracts to 200 rubles. / *L. Brank*

Mining Companies Finally Permitted To Export Precious Metals

According to publicly available information, on June 21, 2001, President Putin signed a decree establishing the procedure for the export and import of precious metals by mining companies. This long-awaited decree will finally allow mining companies to export precious metals, including gold, without the need to operate through a Russian authorized bank. Although the Law "On Precious Metals and Precious Stones" had previously granted mining companies the right to export gold and other precious metals, they were unable to exercise this right, since the procedures for export were to have been determined by the President. Until the issuance of the decree, the only process for export of gold bullion approved by the President was by Russian banks which had complied with licensing and other requirements. The decree enters into effect two months after its official publication, though as of the date hereof, the decree had not been published. Also, other delays may occur as several normative acts will need to be adopted to implement the new decree. / *S. Sineva*

Government Adopts Plan to Sell its Shares in Coal Companies

As part of its restructuring plan for the coal industry, the RF Government has announced that during 2001, it will sell off its entire stakes in certain coal companies. The Government has issued a list of coal companies in which its shares will be sold, including:

Kuzbassugol (79.73% of the shares), Kuznetskugol (80.67%), Khakasugol (43%), Vostsibugol (17.81%) and Irinovskoye (25.5%). Privatization plans for the sale of the state's shares have been approved for Kuzbassugol and Kuznetskugol.

For two years following the sales, the Government will retain "golden share" rights, meaning that it may appoint its representatives to the Board of Directors and auditing commission, as well as exercise a "veto" right at the general shareholders' meeting with respect to certain significant matters. The Government proposed to sell its stake in Kuznetskugol at auction, in two blocks of 40.33% and 40.34%, respectively. At the initial auction, completed on June 25, 2001, all but seven shares were sold at a price of 650.23 rubles per share. June 28 was the last day for submission of applications to participate in the second auction. The results of the second auction will be announced on July 9. Applications to participate in the auction for 43% of the shares in Khakasugol must be submitted by July 20. / *S. Sineva*

Putin Signs Amendments To Three Banking Laws

President Putin has recently signed amendments to the Law "On Insolvency (Bankruptcy) of Credit Organizations," the Law "On Banks and Banking Activity," and the Law "On the Central Bank of the Russian Federation." These amendments were part of a package of laws put forward by the International Monetary Fund and the World Bank as a condition for resuming the provision of credit to Russia.

Under these amendments, the temporary manager appointed to rehabilitate an insolvent bank will now take over the bank's operations immediately upon suspension of its license. The time period for temporary administration has been shortened from 18 to 12 months.

The amendments also increase the personal liability of the management of a credit institution for driving the institution into bankruptcy and introduce a new insolvency test for a credit institution - insufficient assets to pay off liabilities. Additionally, the amendments set forth the duties of the Russian Central Bank in monitoring the financial condition of an insolvent bank after the suspension of the bank's license. / *M. Goldman*

No More Natural Resource Licenses

On June 22, 2001, the new Minister of Natural Resources, Mr. Artyukhov, issued an order suspending the issuance of new licenses to develop natural resource deposits. According to a Ministry official, the Ministry plans to revise the procedures for issuing licenses and will take "a stricter approach towards fulfillment of the terms of licensing agreements, in order to ensure the fair conduct of tenders and auctions, and move toward a primarily competitive form for awarding licenses for the use of natural resources." In the past, license holders frequently have violated the conditions of their licenses with impunity. At the same time, the Duma recently passed in its first reading a bill eliminating the licensing of certain types of activities in the gold industry. / *S. Sineva*

BELARUS

New Investment Code Introduced

In June, the Belarusian Parliament adopted a new Investment Code to govern the procedure for attracting investment in the Belarusian economy, carrying out investments and protecting investors' rights.

The Code includes provisions which previously were included in the Law "On Investment Activities," dated May 29, 1991 and the Law "On Foreign Investment on the Territory of the Republic of Belarus," dated November 14, 1991. The Code contains a number of new provisions. For example, for the first time, government support for manufacturing operations based on new and high technologies, the procedure for granting guarantees under foreign credits, and state expertise in investment projects will be regulated by state law.

Special importance is given to regulating activities involving subsoil, water, timber, land and other areas controlled exclusively by the state. The Code contains a special section dedicated to investment agreements between the Belarusian Government (or authorized bodies) and foreign investors -- the so-called "Transnational Economic Development Contracts." / *V. Salei*

Hydroelectric Plant Could Be On Track for Privatization

According to information in the mass media, at a June 8, 2001 meeting in Minsk among the members of the Energy Council of the CIS, which is chaired by RAO UES head Anatoly Chubais, Belarusian President Alexander Lukashenko promised to “privatize the Berezovskaya hydroelectric plant,” and expressed his readiness to implement “French law” to attract foreign investment in the Belarusian energy sector. Such statements may signal the beginning of privatization in the Belarusian energy sector. / *V. Salei*

Foreign Legal Entities May Be Subject to New Tax

On June 18, President Lukashenko signed Decree No. 19 “On Certain Matters of Taxation of Foreign Legal Entities in 2001,” according to which, as of July through December 31, 2001, foreign legal entities that are non-residents conducting business within Belarus will be required to make payments to two non-budgetary funds supporting state and local manufacturers of agricultural products. The tax will constitute 4.9% of receipts from the sale of products, work or services. These funds are established annually together with approval of the budget. Earlier, only Belarusian residents have made such payments, and it remains to be seen whether this change represents a new state policy toward non-residents or a politically-motivated measure in light of the upcoming presidential election.

/ *V. Salei*

UZBEKISTAN

New Decree on Currency Conversion Signed

On June 22, 2001, the Cabinet of Ministers of Uzbekistan issued a Decree “On Measures for Further Liberalization of the Currency Market,” which establishes new rules on certain currency conversion matters, including the following:

- Small- and medium-sized enterprises (SMEs) are now exempt from the mandatory sale of convertible currency

proceeds and may export goods and services for payment in cash in convertible currency. Under Uzbek law, SMEs include: (1) individual entrepreneurs, and (2) companies with up to 40 employees or 100 employees on an annual basis (depending upon the nature of the business).

- As of July 1, 2001, non-SMEs that are subject to the mandatory convertible currency sale requirements must sell 50% of their convertible currency export proceeds at the market rate, as opposed to the Central Bank rate.
- Decree No. 103, dated March 24, 2000, requiring foreigners to pay convertible currency for certain services in Uzbekistan has been repealed. However, under the new Decree, non-Uzbek citizens must still pay in convertible currency for airline and railway tickets, as well as for services provided by travel agencies.
- Beginning July 1, 2001, in order to obtain convertible currency to pay for imported equipment, components, raw materials, supplies and services, as well as to service new foreign debts, repatriate profits, and distribute dividends and other forms of income to foreign investors, Soums will have to be exchanged for convertible currency at the market rate. However, the Decree exempts companies that exchange Soums into convertible currency at the market rate from the 5% conversion tax. / *J. Askarov*

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