

December 30, 2009

Significant Changes to Russian Laws

Significant amendments¹ to the following laws come into force December 31, 2009: (i) Federal Law No. 395-1 "On Banks and Banking Activities", dated December 2, 1990; (ii) the Part I of the Civil Code of the Russian Federation (No. 51-FZ, dated November 30, 1994); (iii) Federal Law No. 208-FZ "On Joint Stock Companies", dated December 26, 1995; (iv) Federal law No. 14-FZ, dated February 8, 1998 "On Limited Liability Companies"; (v) Federal law No. 39-FZ "On Securities Markets" dated April 22, 1996 ("**Securities Markets Law**"); (iv) Federal law No. 129-FZ, dated August 8, 2001 "On state registration of legal entities and individual entrepreneurs". Generally, the amendments are as follows:

Debt to Equity Conversion

The Amendment Law provides that now set-off in connection with the payment for shares or participatory interest is possible. However, these rules do not apply to credit organizations.

Charter Capital Decrease

The Amendment Law introduces a new procedure for a joint stock company's charter capital decrease.

Such procedure involves detailed rules on publication of notice on decreasing the charter capital, which shall be made twice per two (2) months, and new rule on entering the record to the Unified State Register of Legal Entities on decreasing of the charter capital of a joint stock company.

Creditors of a joint stock company have the right to demand an acceleration or termination of obligations under agreements within 30 days after the last publication and the limitation period for the creditors' claims expires after six (6) months.

Net Assets Value

According to the Amendment Law, all joint stock companies shall quarterly file with the registration authorities information on the changes to net assets value. In addition, the Amendment Law provides for actions that must be undertaken by a joint stock company if its net assets value falls lower than the amount of the charter capital, such as including in the annual report a section on the status of net assets and proposals on equaling net assets value with a charter capital of a joint stock company, etc.; publication in mass media of a notification on a net assets decrease, adoption of a decision on decreasing charter capital or liquidation if the net assets value does not rise higher than the amount of charter capital.

¹ By Federal law No. 352-FZ " On amending certain legislative acts of the Russian Federation as regards the revision of restrictions applicable to the commercial entities in forming their charter capital, as regards the measures of creditors' rights protection in case of the charter capital decrease, as regards to the modification of requirements to the commercial entities in case their charter capital does not equal their net assets value, as regards to the revision of restrictions related to the issuance of bonds by the commercial entities", dated December 27, 2009 ("**Amendment Law**").

Bond issue

The Amendment Law introduces a new round of changes to the Securities Markets Law. In particular, the Amendment Law provides for exceptions from the rule that bonds of a commercial entity (at least two years old) may be only issued up to the amount of its charter capital and collateral for such bond issues. The bonds issued under such exceptions may only be

sold to qualified investors, mortgage-backed securities, bonds issued by companies having a certain credit rating, etc. The Amendment Law also establishes requirements for suretyships securing obligations under bond and lists those entities that can act as sureties (i.e. commercial entities having a net assets value which is not lower than the amount of the provided surety, state corporations and state company, certain international financial organizations).

Our client alerts are for general informational purposes and should not be regarded as legal advice. If you would like additional information or have any questions, please contact:

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