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RUSSIA

Putin Signs Law on Registration of Legal Entities

President Putin recently signed Federal Law No. 129-FZ, "On the State Registration of Legal Entities." The law was published on August 10, 2001, and will become effective on July 1, 2002. The adoption of this law was envisioned by Part I of the RF Civil Code, effective as of January 1, 1995, but the law was never adopted. The law is the first federal legislative act in Russia unifying regulations regarding state registration of legal entities. Currently, the state registration of legal entities is regulated under two articles of a law adopted in 1990, a presidential decree signed in 1994, and certain other regulations, according to which the term for registration of a legal entity is thirty days. The new law establishes that a legal entity, or amendments to the foundation documents of a registered legal entity, must be registered within five business days after the documents are received by the registration authorities. The law also envisages that documents needed to register a legal entity may be sent to the registration authorities by mail. Finally, the law provides that information about legal entities on file at the state registry may be obtained by third parties for a fee. /M. Arledge

Currency Bill Enacted

In the July 17, 2001 issue of the *CIS Legal Newswire*, we reported on Federal Law No. 130-FZ, "On Introduction of Amendments to Certain Legislative Acts of the Russian Federation Related to Currency Regulation Issues." President Putin signed the bill on August 8, 2001, and it came into force on August 10, 2001. The new law decreases the rate for mandatory conversion of hard currency proceeds from exports from 75% to 50%. Generally, under this new law, exemptions from mandatory conversion requirements previously granted by the President will be valid until January 1, 2002, with the proviso that exemptions granted for a specific period ending after January 1, 2002, will be valid through the end of such period. /P. Gloushkov

Amendments to Joint Stock Company Law Finally Signed

In the August 2, 2001 issue of the *CIS Legal Newswire*, we reported on Federal Law No. 120-FZ "On Introduction of Amendments to the Federal Law 'On Joint Stock / continued page 2

Companies," dated August 7, 2001. President Putin has now signed this bill, and it was published on August 9, 2001. The law will become effective on January 1, 2002, except for two provisions relating to: (1) the list of issues falling within the competence of the general shareholders' meeting; and (2) decisions taken by the general shareholders meeting. These two provisions became effective on the day of their publication. The law provides that before July 1, 2002, joint stock companies must modify their foundation documents to bring them into compliance with the law's provisions. Until such changes are introduced, foundation documents may be applied only to the extent that they do not contradict any provisions of the law. /S. DeBeer

New Licensing Law Signed

On August 8, 2001, President Putin signed Federal Law No. 128-FZ "On Licensing Certain Types of Activities." This law was published on August 10, 2001, and will become effective six months thereafter. This law replaces Federal Law No. 158-FZ "On Licensing Certain Types of Activities," dated September 25, 1998, as well as amendments thereto. The new law provides a complete list of activities which are subject to licensing, together with a list of activities for which the licensing requirements are set forth in separate legislation. The law outlines the procedure for obtaining, amending, suspending and revoking licenses. The law provides that while the minimum term of a license is five years, a license may be issued for an indefinite period. A license may be suspended by a licensing authority or revoked by a court upon a petition from a licensing authority. Under the new law, the decision to grant or deny a license must be made within sixty days after the necessary documents are submitted, whereas previously this period was thirty days. Specific requirements to obtain various categories of licenses will be set forth in future regulations. /P. Gloushkov

Putin Signs Law on Auditing

On August 7, 2001, President Putin signed Federal Law No. 119-FZ "On Auditing Activity." The auditing law was published on

August 9, 2001, and the majority of its provisions will become effective on September 9, 2001, while the effectiveness of other provisions is deferred for either one or two years, depending on the provision. The law sets out the regulatory framework for auditing activities in Russia, and establishes the rights, obligations and liability of auditors. The law provides that an auditor may only be obliged to disclose client documents pursuant to a court decision.

In accordance with the new law, auditing companies may be founded in any legal form, except as an open joint stock company. Also, the law provides that auditing companies must insure themselves against the risk of liability for breach of contract in the case of a compulsory audit. In contrast to licensing regulations approved by the RF Government on April 27, 1999, the new law does not require that at least 50% of the charter capital (equity) in an auditing company be owned by licensed auditors or auditing companies. Rather, the law provides that: (1) an auditing company must employ at least five licensed auditors; and (2) at least half of the employees of an auditing company must be Russian citizens, provided that if an auditing company is headed by a foreign citizen, at least 75% of its employees must be Russian. Nonetheless, the law provides that if the accounting documents of an organization contain state secrets, an audit may only be conducted by auditing companies in which foreigners do not own any equity interest.

The law provides that certain Russian enterprises and private entrepreneurs must undergo a compulsory audit conducted by an auditing company if it meets certain conditions relating to either: (1) the corporate form of the entity; (2) the nature of the business (insurance companies, banks, etc.); or (3) the value of assets or size of turnover. /K. Konstantinov

Law Aims to Combat Money Laundering

On August 7, 2001, President Putin signed the Law "On Counteracting Legalization (Laundering) of Profits Derived From Criminal Activity." This law, which will become effective on February 1, 2002, was drafted in close cooperation with several international organizations engaged in monitoring and preventing money laundering. The Organization for Economic Cooperation and Development and the World Trade

Organization have made combating money laundering one of the key conditions for Russia's entry into these organizations.

Under the law, certain transactions in excess of 600,000 Rubles (approximately US \$20,000), as listed in Article 6 of the law, must be examined by a new agency to be created by the President, which will be referred to as the Center for Financial Control. Such transactions include cash transactions, certain wire transfers, the payment of life insurance or proceeds from retirement accounts, among others. According to the Russian press, the RF Ministry of Finance has indicated that this list may be expanded in the future to include, for example, real estate transactions.

The new law also imposes reporting obligations on banks and financial institutions operating within Russia, as well as obligations to establish internal control mechanisms designed to identify suspicious transactions. In addition, the law contemplates continuing cooperation between Russian and international agencies combating money laundering, and provides that foreign judicial decisions with respect to individuals and legal entities involved in criminal activity will be enforced in Russia in accordance with Russian law. It is unclear, however, how the latter provision will be applied in practice, since Russia is not a signatory to the Brussels Convention governing enforcement of foreign judicial decisions. */M. Goldman*

AZERBAIJAN

Mandatory Insurance for Auditors

According to information made publicly available in July, a new law "On Mandatory Insurance for Auditors" will be discussed during the fall session of the Milli Majlis, Azerbaijan's Parliament. As its name suggests, the law will require that auditors procure insurance coverage for claims arising from their auditing activities. The law will also include provisions intended to ensure professionalism among auditors, as well as to prevent the occurrence of errors during the examination of business and financial records of both foreign and local companies. This law has repeatedly been submitted for consideration to the Parliamentary Committee on Economic Policy and has

recently been discussed by the Auditor's Chamber of Azerbaijan. The drafting of the law by the Auditor's Chamber has been underway since 1998, and the law's provisions will likely resemble those of a similar German law. The expectation is that the new law will aid in the recovery of losses and damages incurred by companies in Azerbaijan arising from their auditors' activities. */S. Sultanov*

UKRAINE

President Seeks to Improve Investment Climate

On July 12, 2001, President Leonid Kuchma issued a decree entitled "On Measures to Improve the Investment Climate in Ukraine" (the "Decree"), containing numerous measures to spur investment in Ukraine. The Decree seeks to reduce the overall tax burden by eliminating certain taxes, optimizing and making more transparent the taxation procedure, and promoting observance of taxpayers' rights. However, in contrast to previous legislation protecting investors' rights, the Decree does not reduce tax rates or grant investors any new tax incentives.

The Decree authorizes the Cabinet of Ministers to approve a draft program to stimulate investment activity in Ukraine for 2002-2010. This draft program should provide measures for the further deregulation and liberalization of entrepreneurial activity by minimizing the role of executive bodies in business activity, improving ordinary shareholders' rights, specifying the liability company executives will bear for illegal interference in the business activities of investors, and introducing transparency in the decision-making process at the federal and municipal levels. In addition, a system to encourage investment in "special economic zones" will be introduced, as well as for the territories which have been granted priority development status.

A specific goal of the Decree is to develop competitiveness and increase investment in the telecommunications sector by, among other things, unifying regulation and introducing certification requirements. Finally, the */ continued page 4*

Decree envisions improvements in the Ukrainian gas transportation system by increasing the volume of gas transported, and creating a nationwide gas transportation network in order for Ukraine to become a player in international gas transport. /O. *Vysochinsky*

BELARUS

Parliament to Consider Tax Reforms in Autumn Session

In its upcoming autumn session, the lower house of the Belarusian Parliament will consider legislation to reform the tax code. According to reports by the Interfax news agency, Parliament plans to revamp the majority of the tax code of Belarus, decreasing the overall number of the country's taxes to seven or eight. The turnover tax may be first to go, as well as certain payments to various budget and non-budgetary funds. Individual exemptions may also be reduced significantly, including, for example, the discounted 10% rate on VAT. On average, VAT may be reduced from 20% to between 16% and 18%. At the same time, Parliament will review a draft law entitled "On Roads of the Republic of Belarus," which proposes to introduce a new tax on the purchase of means of transportation by individuals, in the amount of 1% of the purchase price. /V. *Salei*

First Stage of Tender for New GSM License Complete

The first stage of a tender to award a license to a telecommunications operator for Belarus' second GSM-900/1800 cellular phone network has been completed. Five companies presented bids to the Ministry of Communications of the Republic of Belarus. Two of the five companies are major players on Russia's cellular telecommunications market – Mobile TeleSystems and Northwest GSM. Another Russian

bidder is associated with the Alfa Group, which recently acquired a strategic interest in VimpelCom, Russia's second leading cellular provider. Two other companies will also continue to participate in the tender – Saudi Oger Ltd. of Saudi Arabia, and the private Austrian company Dr. Karl J. Pisek Export-Import GmbH. However, according to many experts, it is most likely that one of the three Russian companies will win the tender. The winner, who will be declared no later than October 17, 2001, will have to pay US \$5 million for the license and approximately US \$100 million to invest in the development of the network. In accordance with the terms of the tender, commercial use of the network is slated to begin by April 17, 2002. /V. *Salei*

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