

A NEWS ALERT FROM  
MANNHEIMER SWARTLING

21 APRIL 2009

# Russian Legal Alert

## Alert on changes in the Russian legislation on administrative liability for breach of corporate legislation

**FOR ADDITIONAL  
INFORMATION  
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SHOULD NOT BE REGARDED  
AS LEGAL ADVICE.**

On 13 April 2009 Federal Act "On introduction of amendments to the Russian Federation Code on Administrative Offences" entered into force (Federal Act No. 9-FZ dated February 2009 "On introduction of amendments to the Russian Federation Code on Administrative Offences on increase of administrative liability for violations of the Russian legislation on joint-stock companies, limited liability companies, securities market and investment funds, as well as to the Federal Act "On the Securities Market" as regards clarification of definition and specification of signs of price gouging on the securities market").

**THIS FEDERAL ACT INTRODUCED AMENDMENTS AIMED AT PROTECTING OF INVESTORS' RIGHTS ON THE SECURITIES MARKET BY INCREASING ADMINISTRATIVE LIABILITY FOR VIOLATIONS OF LEGISLATION ON JOINT-STOCK COMPANIES, LIMITED LIABILITY COMPANIES, SECURITIES MARKET AND INVESTMENT FUNDS.**

As from 13 April 2009 not only heads of companies and employees exercising regulatory and administrative functions, but also members of boards of directors (supervisory boards), collective executive bodies (management boards), counting commissions, audit commissions, liquidation commissions, and also heads of organizations exercising functions of sole executive bodies of other organizations (i.e., heads of management companies) will be subject to administrative liability in their capacity as company's officers.

If an administrative offense is committed by a management company, the latter will be subject to administrative penalties in the amount applicable to legal entities.

The statute of limitation for violations of legislation on joint-stock companies, limited liability companies, securities market and investment funds has been increased to one year as opposed to the general two-month's statute of limitation for other administrative violations.

The Federal Act introduced new types of offenses, namely:

- **Violation of statutory requirements on keeping documents by, inter alia, joint-stock companies, limited liability companies, unitary enterprises, professional participants of securities market, and investment funds;**
- **Violation of statutory requirements on procedure for preparation and holding of general meetings of shareholders of joint stock companies, participants of limited liability companies, and owners of investment shares of closed share investment funds;**
- **Illegal issuance or circulation of documents certifying monetary or other obligations;**
- **Violation of a number of statutory requirements regarding activities of professional participants of securities market and investment funds;**
- **Price gouging on securities market;**
- **Illegal use of words "investment fund" or word-combinations formed on their basis; and**
- **Failure to submit information to the federal executive body in charge of financial markets.**

Moreover, the Federal Act introduced amendments to a number of articles of the Code on Administrative Offences and increased administrative liability for violations envisaged by these articles. Thus, the maximum amount of administrative fines that can be imposed on company officers was raised to **RUB 50,000**, while the maximum amount of administrative fines that can be imposed on legal entities was raised to **RUB 1,000,000**. In addition, the scope of administrative offenses under various articles of the Code on Administrative Offences was expanded. In particular, the following articles were amended:

- **Unfair issue of securities;**
- **Illegal operations with securities;**
- **Violation of statutory requirements regarding submission and disclosure of information on securities market;**
- **Preventing the exercise of rights certified by securities;**
- **Use of insider information on securities market; and**
- **Violation of procedure for keeping registers of owners of securities.**

The Federal Act also introduced amendments to the Federal Act "On the Securities Market". These amendments supplement and clarify the list of actions that may be considered as price gouging on the securities market.

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Mannheimer Swartling has a long history in Russia. The firm opened its first Russian office in 1990 and was the first European law firm

which established itself in the then Soviet Union. The firm's Russian practice of over 50 lawyers involves a broad range of advisory and transactional work and has two full service offices in Russia located in Moscow and St Petersburg.



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