

Federal Law N57-FZ "Procedures for Foreign Investments in the Business Entities of Strategic Importance for Russian National Defence and State Security"

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Article 1. Objectives

With a view to ensuring Russian national defence and state security, the Federal Law establishes statutory restrictions for foreign investors and groups of persons that include a foreign investor (further on referred to as a group of persons), which have interest in the equity of the business entities of strategic importance for national defence and state security, and (or) consummate transactions to gain majority interest in the equity of the above economic entities.

Article 2. Relations governed by the Federal Law and its scope

1. The Federal Law governs relations associated with investments by foreign investors and a group of persons who acquire stock (shares) of the business entities of strategic importance for national defence and state security, as well as consummate other transactions that give foreign investors and a group of persons majority interest in the equity of such business entities.

2. Foreign states and international organizations, as well as organizations under their control, including those formed in the Russian Federation, cannot consummate transactions to gain majority interest in the business entities of strategic importance for national defence and state security.

3. Transactions by foreign states, international organizations or organizations under their control as a result of which foreign states, international organizations or organizations under their control gain direct or indirect control over more than 25% of the total voting shares (stock) of the business entities of strategic importance for national defence and state security, or any other possibility to block decisions made by the management of such business entities, or acquire the right to directly or indirectly control more than 5% of the total voting shares (stock) of the business entities of strategic importance for national defence and state security and involved in exploration and (or) development and production of natural resources in the subsurface areas with federal status (further on referred to as exploitation of subsurface areas with federal status), must be preliminary approved in accordance with the statutory procedures established in the Federal Law.

4. Article 5 of the Federal Law ascertains control over the business entities of strategic importance for national defence and state security by foreign states, international organizations or organizations under control of foreign states and international organizations.

5. Provisions of the Federal Law also apply to the transactions made outside the Russian Federation and other agreements reached outside the Russian Federation if such transactions and agreements entail the consequences specified in Parts 1 – 3 Article 2.

6. The Federal Law does not apply to relations associated with foreign investments that are governed by other federal laws and are ratified according to the procedures specified by international treaties, to which the Russian Federation is a co-signatory. Relations associated with foreign investments in the field of military-technical

cooperation between the Russian Federation are governed by the legislation of the Russian Federation on military-technical cooperation.

7. Provisions of the Federal Law on relations associated with foreign investments in the business entities of strategic importance for national defence and state security, which exploit subsurface areas with federal status, except Part 3 Article 2, do not apply to foreign investments in the business entities of strategic importance for national defence and state security, which exploit subsurface areas with federal status, if the share (investments) of the Russian Federation of (in) the equity of such business entities is over 50% of their total voting stock (shares), and (or) if the Russian Federation can directly or indirectly control more than 50% of the total votes.

8. The Federal Law does not apply to foreign investments in the objects of civil law rights, except the objects of civil law rights specified in Part 1 Article 2.

Article 3. Basic Concepts

1. The Federal Law uses the following basic concepts:

1) Threat to the national defence and state security – combination of factors and conditions endangering vitally important interests of individuals, society and (or) the state;

2) Business entity of strategic importance for national defence and state security (further on referred to as a business entity of strategic importance) - a business entity formed in the Russian Federation and involved in at least one type of activity which is of strategic importance for national defence and state security, specified in Article 6 of the Federal Law;

3) Control of a foreign investor or a group of persons over a business entity of strategic importance (further on referred to as - control) - ability of a foreign investor or a group of persons to directly or through third parties determine the decisions adopted by a business entity of strategic importance, by means of controlling voting shares (stock) of such a business entity, participating in the general shareholders (members) meeting, participating in the boards of directors (the trustee council) and other management bodies of such a business entity, signing a contract with such a business entity on exercising the functions of its executive manager (the managing organization) or a similar agreement, as well as possibility of a foreign investor or a group of persons to directly or indirectly control 10% or more of the total voting shares (stock) of a business entity of strategic importance which exploits subsurface areas with federal status, or the right of a foreign investor or a group of persons to appoint a sole executive body and (or) 10% or more members of a collegial executive body of such a business entity, or absolute ability of a foreign investor or a group of persons to elect 10% or more members of the boards of directors (the trustee council) or other collegial executive body of such a business entity;

4) Indirect control of voting shares (stock) of a business entity of strategic importance by a foreign investor or a group of persons – ability of a foreign investor or a group of persons to effectively control, through third parties, shareholder votes of a business entity of strategic importance;

5) Ability to block the decisions of the management bodies of a business entity of strategic importance – ability of a foreign investor or a group of persons to directly or through third parties impede decision-making by the management bodies of a business entity of strategic importance, if, in accordance with the legislation of the Russian Federation and (or) the Articles of Agreement of a business entity, such decisions must be adopted by supermajority.

2. Concept "a foreign investor" is used within the meaning given in Article 2 of No. 160-FZ Federal Law of 9th July 1999 "Foreign Investments in the Russian Federation". For the purposes of the present Federal Law, organizations controlled by foreign investors, including those formed in the Russian Federation, are also recognised as foreign investors. Control of foreign investors over such organizations is determined under Parts 1 and 2 Article 5 of the Federal Law.

3. Concepts "a group of person", "an agreement" and "concerted actions" are used within the meanings given in No. 135-FZ Federal Law of 26th July 2006 "On Protection of Competition" (further on referred to as the Federal Law "On Protection of Competition").

Article 4. Terms of transactions that establish control of foreign investors or a group of persons over the business entities of strategic importance

1. Transactions that result in establishing control of a foreign investor or a group of persons over the business entities of strategic importance are allowed upon a decision on preliminary approval of such transactions. The decision is made in accordance with the Federal Law by the federal executive body authorized to exercise functions on supervising foreign investments in the Russian Federation (further on referred to as the authorized body) and is of finite duration, except for the case specified in Part 4 Article 4.
2. A foreign investor or a group of persons, upon whose petition a preliminary approval of a transaction in question was granted, can close such a transaction within the period when the decision is valid.
3. A foreign investor or a group of persons, who petitioned for and was granted a preliminary approval of a transaction as a result of which a foreign investor or a group of persons gains the right to directly or indirectly control a definite number of voting shares (stock) of a business entity of strategic importance, can, within the period of validity of the above decision, acquire through a single or several transactions the right to directly or indirectly control the agreed number of voting shares (stock) of such a business entity.
4. There can be no preliminary approval of transactions with shares (stock) of a business entity of strategic importance or other transactions with regard to such a business entity, as specified in Article 7 of the Federal Law (except the business entities of strategic importance which exploit subsurface areas with federal status), if prior to the transactions a foreign investor or a group of persons directly or indirectly controlled over 50% of the total voting shares (stock) of such a business entity.

Article 5. Attributes of control over a business entity of strategic importance

1. A business entity of strategic importance – the controlled person, except the business entities of strategic importance which exploit subsurface areas with federal status, is under control of a foreign investor or a group of persons – the controlling person provided there is one of the following attributes:

- 1) The controlling person can directly or indirectly control (particularly, based on a property trust agreement, a simple partnership agreement, a trust deed, or as a result of other transactions, or otherwise) over 50% of the total voting shares (stock) of the controlled person;
- 2) Based on the contract or otherwise, the controlling person has gained the right or authority to determine the decisions made by the controlled person, including specifying the business terms, by the controlled person;
- 3) The controlling person can appoint a sole executive body and (or) more than half of a collegial executive body of the controlled person and (or) has an absolute ability to elect over half of the boards of directors (the trustee council) or any other collegial executive body of the controlled person;
- 4) The controlling person enjoys the authority of the managing company of the controlled person.

2. The controlled person is also under control by the controlling person if there are attributes that the controlling person can directly or indirectly control (particularly, based on a property trust agreement, a simple partnership agreement, a trust deed or as a result of other transactions, or otherwise) less than 50% of the total voting shares (stock) of the controlled person, provided that ratio between the number of shareholder votes that the controlling person can control, and the number of shareholder votes of the controlled person that belong to other shareholders (members) of the controlled person is such that the controlling person can determine the decisions made by the controlled person.

3. A business entity of strategic importance which exploits subsurface areas with federal status - the controlled person - is under control of a foreign investor or a group of persons - the controlling person - provided there is one of the following attributes:

- 1) The controlling person can directly or indirectly control (in particular, on the basis of a property trust agreement,

a simple partnership agreement, a trust deed, or as a result of other transactions, or otherwise) 10% and more of the overall voting shares (stock) of the controlled person;

2) Due to a contract or otherwise, the controlling person has obtained the right or authority to determine the decisions adopted by the controlled person, including conditions of entrepreneurial activity exercised by the controlled person;

3) The controlling person can appoint a sole executive body and (or) 10% or more of the members of a collegial executive body of the controlled person and (or) has an absolute ability to elect 10% or more of the members of the boards of directors (trustee council) or other executive body and (or) 10% or more of the members of a collegial executive body;

4) The controlling person exercises the authority of the managing company of the controlled person.

Article 6. Business activities of strategic importance for the national defence and state security

For the purposes of the Federal Law, business activities of strategic importance for the national defence and state security include the following:

1) Works on modification of hydro-meteorological processes and phenomena;

2) Works on modification of geophysical processes and phenomena;

3) Activities using agents of infections;

4) Setting-up, constructing, operating and decommissioning nuclear facilities, radiological sources, storage outlets for nuclear materials and radioactive substances, and nuclear waste storages;

5) Handling nuclear materials and radioactive substances, particularly in exploration of uranium ores, and in production, usage, processing, transportation and storage of nuclear materials and radioactive substances;

6) Handling radioactive waste during storage, processing, transportation and disposal;

7) Using nuclear materials and (or) radioactive substances for R&D;

8) Design and engineering of nuclear facilities, radiological sources, storage outlets for nuclear materials and radioactive substances, and nuclear waste storages;

9) Design and engineering of the equipment for nuclear facilities, radiological sources, storage outlets for nuclear materials and radioactive substances, and nuclear waste storages;

10) Expert examination of project, design and technological documentation and documents substantiating enforcement of the nuclear and radiation safety of nuclear facilities, radiological sources, storage outlets for nuclear materials and radioactive substances, nuclear waste storages, and handling nuclear materials, radioactive substances and radioactive waste;

11) Development and production of encryption (cryptographic) aids, or informational and telecommunication systems protected with encryption (cryptographic) aids that are subject to licensing under the legislation of the Russian Federation;

12) Distribution of encryption (cryptographic) aids that are subject to licensing under the legislation of the Russian Federation;

13) Engineering maintenance of encryption (cryptographic) aids that are subject to licensing under the legislation of the Russian Federation;

14) Information encryption services;

15) Detecting electronic bugging equipment in the premises and technical devices (except if such activities serve internal needs of a legal person);

16) Development, production, sales and purchasing for reselling special technical debugging equipment by legal persons involved in entrepreneurial activity;

17) Development of weapons and military equipment;

18) Manufacturing weapons and military equipment;

19) Repairing weapons and military equipment;

20) Disposal of weapons and military equipment;

21) Trading weapons and military equipment;

22) Manufacturing weapons and the main parts of fire arms (except manufacturing cold steel, non-military and duty weapons);

23) Manufacturing shells and shell components (except manufacturing for non-military and duty weapons);

24) Trading weapons, the main parts of fire arms, and shells (except trading cold steel, non-military and duty weapons and shells to non-military and duty weapons);

25) Development and manufacturing ammunition and components;

26) Disposal of ammunition and components;

27) Manufacturing explosive materials for industrial use and their distribution;

28) Enforcement of aviation security;

29) Space activities;

30) Developing aviation equipment, including dual-purpose equipment;

31) Manufacturing aviation equipment, including dual-purpose equipment;

32) Repairing aviation equipment, including dual-purpose equipment (except component repair by civil aviation organizations);

33) Testing aviation equipment, including dual-purpose equipment;

34) TV broadcasting to the area where resides 50% or more of the population of a constituent territory of the Russian Federation;

35) Radio broadcasting to the area where resides 50% or more of the population of a constituent territory of the Russian Federation;

36) Services offered by an economic entity which is included in the Register of the subjects of natural monopolies in the sectors specified in Clause 1 Article 4 No. 147-FZ Federal Law of 17th August 1995 "On Natural Monopolies", except the subjects of natural monopolies in publicly accessible electric communication, publicly accessible postal service, services for heat energy transmission and electric power transmission through distribution networks;

37) Activities exercised by an economic entity which is included in the Register, specified in Article 23 of the Federal Law "On Protection of Competition", and has dominant position:

a) within the geographic boundaries of the Russian Federation on the communications market (except Internet

access

services);

b) on the market of fixed telephone communications in five or more constituent territories of the Russian Federation;

c) on the market of fixed telephone communications within the geographic boundaries of the cities with federal status;

38) Activities exercised by an economic entity that has dominant position in production and sales of metals and alloys with special qualities used for manufacturing weapons and military equipment;

39) Geological survey and (or) exploration and production of natural resources in the subsurface areas with federal status;

40) Harvesting (catching) aquatic biological resources;

41) Printing activities exercised by an economic entity with the capacity to print at least 200 m print-sheets per month;

42) Editing and (or) publishing a periodical print publication with the circulation at least 1 m copies for each issue.

Article 7. Transactions covered by the Federal Law

1. The following transactions must be preliminary approved under the Federal Law:

1) Transactions (except transactions with shares (stock) of an economic entity of strategic importance that exploits subsurface areas with federal status) as a result of which a foreign investor or a group of persons gains:

a) the right to directly or indirectly control over 50% of the total voting shares (stock) of a business entity of strategic importance;

b) the right to appoint a sole executive body and (or) half or more members of a collegial executive body of a business entity of strategic importance, and (or) has an absolute ability to elect half or more members of the boards of directors (the trustee council) or other collegial executive body of such a business entity;

2) Transactions with shares (stock) of a business entity of strategic importance that exploits subsurface areas with federal status, as a result of which a foreign investor or a group of persons gains:

a) the right to directly or indirectly control 10% or more of the total voting shares (stock) of such a business entity;

b) the right to appoint a sole executive body and (or) half or more members of a collegial executive body of such a business entity, and (or) has an absolute ability to elect half or more members of the boards of directors (the trustee council) or other collegial executive body of such a business entity;

3) Transactions aimed at buying shares (stock) of a business entity of strategic importance that exploits subsurface areas with federal status by a foreign investor or a group of persons, if the foreign investor or the group of persons can directly or indirectly control 10% or more of the total voting shares (stock) of such a business entity;

4) Contracts on executing the functions of the executive manager (the managing organization) over a business entity of strategic importance by a foreign investor, or a business entity - a member of a group of person, or an individual entrepreneur;

5) Transactions by foreign states, international organizations or organizations under control foreign states or international organizations aimed at acquiring the right to directly or indirectly control over 25% of the total voting shares (stock) of a business entity of strategic importance, or other possibility to block the decisions made by the management bodies of such a business entity, or the right to directly or indirectly control over 5% of the total voting shares (stock) of a business entity of strategic importance that exploits subsurface areas with federal status;

6) Other transactions aimed at transferring the rights to determine the decisions made by the management of a business entity of strategic importance, including conditions of entrepreneurial activities, to a foreign investor or a group of persons.

2. In particular, transactions listed in Clauses 1 and 2 Part 1 Article 7 include:

1) Contracts for purchase-and-sale, gift, exchange of the voting shares (stock) of a business entity of strategic importance, as well as other agreements under which the ownership rights for the above shares (stock) is transferred to a foreign investor or a group of persons;

2) Trust management contracts and (or) other similar agreements the subject matter of which are the voting shares (stock) of a business entity of strategic importance.

3. Transactions that result in establishing control over a business entity of strategic importance and that are subject to preliminary approval under the Federal Law (further on referred to as transactions) also include any transactions by a foreign investor or a group of persons with regard to the third persons, which directly or indirectly control a business entity of strategic importance, that result in establishing control by a foreign investor or a group of persons over such a business entity.

4. Article 7, including the cases specified in Parts 1-3, applies to other cases of acquiring shares (stock) that result in establishing direct or indirect control of a foreign investor or a group of persons over a business entity of strategic importance, particularly by fulfillment of the obligations by a foreign investor or a group of persons on acquiring securities of such a business entity under Article 84.2 of No. 208-FZ Federal Law of 26th December 1995 "On Public Companies".

5. If a foreign investor or a group of persons has gained control over a business entity of strategic importance by changing the balance of voting shares (stock) of such a business entity at the general shareholders (members) meeting as a result of acquiring, transferring to or buying-out its own shares (stock) by a business entity, distributing the shares that belong to such a business entity among its shareholders, converting privileged shares into ordinary shares, or due to statutory grounds, the foreign investor or the group of persons must petition for approval of establishing control in accordance with the procedures specified in the Federal Law within no longer than three months after a foreign investor or the group of persons established control over such a business entity.

Article 8. Petition procedures for preliminary approval of transactions and approval of establishing control

1. Under Part 5 Article 7 of the Federal Law, a foreign investor or a legal or a physical person – a member of a group of persons that intends to conclude any of the transactions specified in Parts 1 - 4 Article 7 of the Federal Law or has established control over a business entity of strategic importance (further on referred to as the petitioner) must submit to an authorized body two copies of the petition for preliminary approval of such a transaction (specific transaction or transactions as a result of which the petitioner gains the right to directly or indirectly control a definite number of voting shares (stock) of a business entity of strategic importance), or a petition for approving established control (further on referred to as the petition).

2. A petition for preliminary approval of a transaction must include the following documents:

1) The statement on preliminary approval of the transaction with a proposal on the effective period of the decision on preliminary approval of a transaction, addressed to the authorized body and drawn up in optional form (if petitioning for preliminary approval of transactions as a result of which the petitioner gains the right to directly or indirectly control a definite number of voting shares (stock) of a business entity of strategic importance, the statement on preliminary approval of the transactions must specify the number of voting shares (stock) for which the petitioner intends to gain the right of ownership);

2) A document confirming official registration of the petitioner – a legal or a physical person as an individual entrepreneur in accordance with the legislation of the relevant state, or if the petitioner is a legal person - another document confirming the fact of its formation;

3) A document confirming the identity of the petitioner – a physical person;

- 4) A document confirming the fact of founding the petitioner – a foreign organization, which is not a legal person, in accordance with the law of the state where it was founded;
- 5) The founding documents for the petitioner – a legal person;
- 6) A draft contract or other agreement revealing the essence of the transaction (except petitioning for preliminary approval of transactions as a result of which the petitioner gains the right to directly or indirectly control a definite number of voting shares (stock) of a business entity of strategic importance;
- 7) A document, drawn up in optional form, with the information about the main activities, in which the petitioner has been involved during two years prior to the date of petitioning, or, if the period of business activities of the petitioner is less than two years, during the period of its business activities (except transactions concluded by a foreign state);
- 8) A document with the information about the structure of the group of persons, of which the petitioner is a member, as well as information on petitioner's participation in an agreement or concerted actions, which can affect considerably the activities of a business entity of strategic importance and are related to involvement of such a business entity in the activities listed in Article 6 of the Federal Law;
- 9) A document containing information about the person that exercises control over the petitioner and the attributes of control over the petitioner, specified in Article 5 of the Federal Law;
- 10) A draft business-plan of a business entity of strategic importance, pursuant to an activity (activities) specified in Article 6 of the Federal Law, presented on the form approved by the authorized body (except transactions specified in Clauses 2, 3 and 5 Part 1 Article 7 of the Federal Law, and transactions concluded by a foreign state);
- 11) A document containing information about the shares (stock) of a business entity of strategic importance that belong to the petitioner, as well as other circumstances as on the date of petitioning which will result in establishing control of a foreign investor or a group of persons over a business entity of strategic importance if the transaction is concluded in accordance with the Federal Law.

3. Petition for approval of establishing control includes the statement on approval of establishing control, addressed to the authorized body and drawn up in optional form, as well as the documents specified in Clauses 2 - 5, 7 - 9 and 11 Part 2 Article 8.

4. The petitioner can present to the authorized body duly certified copies of the documents specified in Clauses 2 - 5 Part 2 Article 8.

5. As part of its petition, along with the documents specified in Part 2 or 3 Article 8, the petitioner can present to the authorized body other documents and information which the petitioner believes are necessary to confirm the fact of establishing its control over a business entity of strategic importance and the attributes of control over such an economic entity under Article 5 of the Federal Law.

6. If the fact of establishing control over a business entity of strategic importance following the transactions, described in Article 7 of the Federal Law, is not obvious, the petitioner can enquire to the authorized body if the approval of such a transaction is necessary under the Federal Law, enclosing the documents specified in Clauses 2 - 5, 7 - 9 and 11 Part 2 Article 8. Within 30 days after receiving such an enquiry, the authorized body must process the enquiry and send a pertinent answer to the petitioner as well as inform the Government Commission for Control over Foreign Investments in the Russian Federation (further on referred to as the Commission), led by the Chairman of the Government of the Russian Federation, about the enquiry and the response to it.

Article 9. Processing of petitions by the authorized body

1. Within no more than 14 days after receiving the petition, the authorized body must:

1) Register the petition;

2) Verify if the petition comprises the documents listed in Parts 2 or 3 Article 8 of the Federal Law. If the petition

does not include all the above documents, the authorized body informs the petitioner on the need to submit the missing documents. If the petitioner fails to present the missing documents within a month after the authorized body sent the enquiry, the authorized body returns the petition to the petitioner without processing it;

3) Determine if the petitioner can establish control over a business entity of strategic importance as a consequence of the transaction in question or under Part 5 Article 7 of the Federal Law.

2. If processing the petition the authorized body determines the fact that the petitioner will not establish control over a business entity of strategic importance as a consequence of the assumed transaction or under Part 5 Article 7 of the Federal Law, within three working days after such a fact was determined the authorized body must make a decision to return the petition to the petitioner, indicating the grounds for making such a decision, and forward the decision to the petitioner and its copy to the Commission, except the case specified in Part 3 Article 9. In this case, preliminary approval of the transaction or the established control is not required.

3. If processing the petition the authorized body determines the fact that the petitioner will not establish control over a business entity of strategic importance as a consequence of the assumed transaction, but the transaction must be approved under Clause 5 Part 1 Article 7 of the Federal Law, then within no more than 30 days after such a fact was determined the authorized body must exercise the actions specified in Article 10 of the Federal Law.

4. If processing the petition the authorized body determines that under Part 2 Article 2 of the Federal Law the petitioner cannot conclude transactions which result in establishing control over a business entity of strategic importance, then within three working days after such a fact was determined the authorized body must adopt a decision to return the petition to the petitioner indicating the grounds for making such a decision and forward the decision to the petitioner and its copy to the Commission.

5. If processing the petition the authorized body determines the fact that the petitioner will establish control over a business entity of strategic importance as a consequence of the assumed transaction or under Clause 5 Part 1 Article 7 of the Federal Law, then within no more than 30 days after such a fact was determined the authorized body must exercise the actions specified in Article 10 of the Federal Law.

Article 10. Inspection procedures for the business entities of strategic importance

1. Within three working days after the day when the facts specified in Parts 3 and 5 Article 9 of the Federal Law are determined, the authorized body must request information from the federal executive body for state security enforcement, whether national defence and state security will be endangered as a result of concluding the transaction with a business entity of strategic importance or the transactions with its shares (stock), or as a result of establishing control over the business entity under Part 5 Article 7 of the Federal Law. Within no more than 30 days after the facts are determined the authorised body must verify whether the business entity conforms with the following attributes:

1) The business entity has licences for exercising the activities specified in Article 6 of the Federal Law, which are subject to licensing under the laws of the Russian Federation;

2) The business entity has a licence to carry out the works using information classified as state secrets;

3) The business entity has a licence for exercising foreign economic operations with the controlled goods and technologies, determined by the legislation of the Russian Federation on export control;

4) The business entity has the right to exercise foreign economic operations with the defence products;

5) The business entity has been providing goods (works, services) under a government's defence order within five years preceding the year when the petition is submitted;

6) The business entity is included in the Register of the subjects of natural monopolies;

7) The business entity exercises activities of an economic entity that has dominant position on the communications market;

8) The business entity is included in the Register specified in Article 23 of the Federal Law "On Protection of Competition";

9) The business entity possesses exclusive rights for intellectual property in technologies that are socially and economically important or are essential for national defence and state security (crucial technologies), the list of which is approved by the Government of the Russian Federation, except the exclusive rights transferred to the economic entity;

10) The business entity possesses the rights for geological survey and (or) exploration and production of natural resources in the subsurface areas with the federal status;

11) The authorities have made a decision and there is a contract with the business entity according to which the business entity has obtained the right to harvest (catch) aquatic biological resources, classified "for fishing purposes";

12) The business entity has a licence for providing communication services for TV- or radio broadcasting or a contract with an organization, that has such a licence, for offering communication services for TV- or radio broadcasting.

2. A copy of the petition must be enclosed to the enquiry described in Part 1 Article 10.

3. Within no more than 20 days after the date when the enquiry from the authorized body was received, the federal executive body for state security enforcement must send to the authorized body its conclusion on the danger (or absence of danger) to national defence and state security appearing as a consequence of the relevant transaction or of establishing control under Part 5 Article 7 of the Federal Law.

4. If a business entity of strategic importance has the attributes specified in Clause 2 Part 1 Article 10, within three working days after the day this fact was determined, the authorized body must request the Inter-Agency Commission for Protecting State Secrets to inform the authorized body whether there is an international treaty under which the petitioner – a foreign physical person or foreign physical persons, executives or staff members of the petitioner – a legal person can have access to the state secrets in accordance with the legislation of the Russian Federation.

5. Within no more than 14 days after the day of receiving the enquiry from the authorized body, the Inter-Agency Commission for Protecting State Secrets must send its conclusion on the existence of an international treaty with the Russian Federation, specified in Part 4 Article 10, to the authorized body.

6. Within three days after completing the inspection, specified in Part 1 Article 10, and after the authorized body received the conclusions of the federal executive body for state security enforcement and the Inter-Agency Commission for Protecting State Secrets, specified in Parts 3 and 5 Article 10 (if the authorized body had sent such a request under Part 4 Article 10), the authorized body must send to the Commission the above conclusions, the petition and the materials obtained as a result of inspections, specified in Clauses 2 and 3 Part 1 Article 9 of the Federal Law, Part 1 Article 10, as well as its suggestions regarding preliminary approval of the transaction or approval of establishing control, or a decision on refusing to grant preliminary approval of the transaction or approval of establishing control.

7. The petitioner can challenge the decisions and actions (lack of actions) of the authorized body, undertaken with regard to processing the petition and inspecting the business entities of strategic importance, at court in accordance with the established procedures.

Article 11. Processing petitions by the Commission

1. Within no more than 30 days after receiving the petition, the conclusions and the materials specified in Part 6 Article 10 of the Federal Law, the Commission must adopt one of the following decisions:

- 1) Preliminary approval of the transaction or approval of establishing control;
 - 2) Preliminary approval of the transaction or approval of establishing control given the agreement with the petitioner that the petitioner will fulfill the obligations, specified in Article 12 of the Federal Law;
 - 3) Refusal to grant preliminary approval of the transaction or approval of establishing control.
2. The period of the validity of the decision on preliminary approval of the transaction is determined by the Commission based on the petitioner's proposal and is indicated in the decision.
 3. Preliminary approval of the transaction or approval of establishing control or refusal to grant such an approval is issued on the basis of the Commission's decision within three working days after the decision is made by sending the decision of the authorized body to the petitioner.
 4. The period of processing the petition by the authorized body and the Commission cannot exceed three months from the day the petition was registered by the authorized body to the day of preliminary approval of the transaction or approval of establishing control or refusal to grant preliminary approval of the transaction or approval of establishing control, which are formalized by a relevant decision of the authorized body. In exceptional cases the Commission can decide to prolong the period for processing the petition for three months.
 5. The Government of the Russian Federation approves the Charter of the Commission and appoints its members.
 6. The procedures for preliminary approval of the transactions, approval of establishing control and the procedures for processing the petitions that are not regulated by the Federal Law are established by the Government of the Russian Federation.
 7. The Commission's decision on refusal to grant preliminary approval of the transaction or approval of establishing control, or the Commission's decision to grant to preliminary approval of the transaction or approval of establishing control can be challenged at the Supreme Arbitration Court of the Russian Federation.

Article 12. Procedures for preliminary approval of the transactions, or approval of establishing control by the Commission given the agreement with the petitioner that the petitioner will fulfill certain obligations

1. If the Commission intends to make a decision on preliminary approval of the transactions, approval of establishing control given the agreement with the petitioner that the petitioner will fulfill the obligations specified hereby, then before making the decision the Commission shall define one or several of the following obligations to be imposed upon the petitioner:
 - 1) To form the management bodies of a business entity of strategic importance from among the persons that, according to the legislation of the Russian Federation, can have access to the information classified as state secrets. To pursue the measures in order to protect state secrets by such a business entity in accordance with the legislation of the Russian Federation on protecting state secrets, particularly if it is necessary to provide the access of the petitioner – a physical person or executives and members of the staff of the petitioner – a legal person to the information classified as state secrets, and to formalize such an access in accordance with the legislation of the Russian Federation on protecting state secrets;
 - 2) To continue providing products (goods, services) by such a business entity in accordance with the government's defence order;
 - 3) To continue executing works on maintaining mobilization capacities by such a business entity;
 - 4) To offer services by such a business entity at the prices (rates) set in line with the legislation of the Russian Federation on natural monopolies;
 - 5) To execute the business-plan for such a business entity presented by the petitioner;
 - 6) To immediately adopt by such a business entity the measures determined by the legislation of the Russian Federation in case of imposing martial law or announcing the state of emergency in the Russian Federation or its

regions, where such a business entity is located;

7) To retain the average number of staff by such a business entity within the period determined by the decision on preliminary approval of the transaction or on approval of established control;

8) To process the natural resources, produced by a business entity of strategic importance that exploits subsurface areas with federal status, in the territory of the Russian Federation.

2. Obligations specified in Part 1 Article 12 and based on the federal legislation or other regulatory legal acts of the Russian Federation, are unconditional for the petitioner.

3. In the case specified in Part 1 Article 12, before granting preliminary approval of the transactions or approval of establishing control, the Commission determines the petitioner's obligations and informs the authorized body, which prepares an agreement with the petitioner on fulfilling the above obligations. An agreement with the petitioner on fulfilling the above obligations is the document signed by the authorized body and the petitioner, according to which the petitioner undertakes to fulfill the above obligations and which specifies the terms of fulfilling the obligations by the petitioner and petitioner's liability for their violation under the Federal Law. The agreement must be concluded no later than 20 days after the Commission notified the authorized body on the above circumstances; the agreement must be concluded before making the decision on preliminary approval of the transactions or approval of establishing control. A model form of such an agreement, including the list of its substantive provisions, is set by the authorized body. The authorized body must forward the agreement, signed by the authorized body and the petitioner, or petitioner's refusal to undertake, fully or partially, the specified obligations, to the Commission.

4. Obligations imposed upon the petitioner under Article 12 must be specified in the Commission's decision on preliminary approval of the transactions or approval of establishing control. The obligations imposed upon the petitioner and determined by the agreement, described in Part 3 Article 12, must match the obligations indicated in the Commission's decision on preliminary approval of the transactions or approval of establishing control, except when such an agreement has been amended under Part 7 Article 12. The agreement comes into force at the same time when the Commission makes the above decision.

5. If the petitioner refuses to undertake, fully or partially, the obligations determined by the Commission under Article 12, the Commission refuses to grant preliminary approval of the transactions or approval of establishing control.

6. The agreement, specified in Part 3 Article 12, is valid throughout the whole period when a business entity of strategic importance remains under the petitioner's control.

7. The authorized body can amend the terms of the agreement, described in Part 3 Article 12, upon consent of the parties only on the basis of an appropriate Commission's decision. The amendments are formalized using the same forms and procedures that were used to formalize the agreement. There is no need to amend the decision on preliminary approval of the transactions or approval of establishing control in terms of amending the obligations imposed upon the petitioner. The terms of the agreement can only be amended due to substantial changes in the circumstances, based on which the parties concluded the agreement.

8. Along with the consequences indicated in Part 4 Article 15 of the Federal Law, the agreement, specified in Part 3 Article 12, must determine other consequences of the petitioner's failure to fulfill the obligations undertaken under the agreement, in particular, paying forfeit, applying other civil proceedings, as well as the procedures for compensating losses caused by such a failure.

Article 13. The rights and responsibilities of the authorized body and the task forces of the Federal Security Service

1. The authorized body can request and obtain the documents and information specified in Articles 9 and 10 of the Federal Law.

2. If necessary, the authorized body can initiate, in accordance with the established procedures expert evaluation of the information, to which the petitioner can have access, in terms of its classification as state secret.

3. The authorized body inspects whether a foreign investor or a legal or physical person – a member of a group of persons fulfills its obligations undertaken under Article 12 of the Federal Law.

4. Upon a request of the authorized body, physical and legal persons, including shareholders' registries of a business entity of strategic importance, must present credible documents, written or oral explanations, and other information, required by the authorized body in order to exercise its functions.

5. Information that constitutes state, commercial or official secrets and other legally protected secrets and is obtained by the authorized body in exercising the functions specified by the Federal Law, cannot be disclosed, except in the cases determined by the legislation of the Russian Federation. The personnel of the authorized body will be held liable for disclosing such information in accordance with the legislation of the Russian Federation. Any harm caused to physical or legal persons as a result of disclosing the above information by the authorized body must be compensated according to the procedures specified by the legislation of the Russian Federation.

6. To ascertain the fact of establishing control of a foreign investor or a group of persons over a business entity of strategic importance, as well as the fact of an agreement and (or) concerted actions between a foreign investor and third parties aimed at establishing control over a business entity of strategic importance, the task-forces of the Federal Security Service can carry out investigative operations according to the procedures specified by the legislation of the Russian Federation on investigative activities. The findings of the investigations carried out by the task forces of the Federal Security Service can be used to prove the lawsuits specified in Article 15 of the Federal Law.

Article 14. Notification of transactions with the shares (stock) of the business entities of strategic importance

Foreign investors or a group of persons must inform the authorized body on acquiring 5% and more percent of shares (stock) of the business entities of strategic importance in accordance with the procedures established by the Government of the Russian Federation.

Article 15. Legal implications of the failure to comply with the Federal Law

1. Transactions specified in Article 7 of the Federal Law, which are made with violation of the Federal Law, are void.
2. The court applies the consequences of invalidity of a void transaction in accordance with the civil legislation. If the transaction, which resulted in establishing control of a foreign investor or a group of persons over of a business entity of strategic importance, is closed notwithstanding the Federal Law and the consequences of invalidity of a void transaction cannot be applied, as well as if the foreign investor failed to present within the statutory period a petition on approving established control to the authorized body under Part 5 Article 7 of the Federal Law, the court, upon a lawsuit filed by the authorized body, rules to deprive a foreign investor or a group of persons of the voting rights at the general shareholder (members) meeting of a business entity of strategic importance. If a foreign investor or a group of persons is judicially deprived of the voting rights at the general shareholder (members) meeting of a business entity of strategic importance; and the votes that belong to a foreign investor or a group of persons are not taken into account for forming the quorum at the general shareholder (members) meeting of such a business entity and calculating votes at the general shareholder (members) meeting of such a business entity.
3. The decisions of the general shareholder (members) meeting of a business entity of strategic importance or other management bodies of such a business entity and transactions made by a business entity after a foreign investor or a group of persons had established control over such a business entity contrary to the Federal Law can be judicially ruled void upon a lawsuit filed by the authorized body.
4. Gross or repeated non-performance of obligations undertaken by a foreign investor or a group of persons under Article 12 of the Federal Law, implies that the court, upon a lawsuit of the authorized body, rules to deprive a foreign investor or a group of persons of the voting rights at the general shareholder (members) meeting of a business entity of strategic importance; in this case the votes that belong to a foreign investor or a group of persons are not taken into account for forming the quorum at the general shareholder (members) meeting of such a business entity and calculating votes at the general shareholder (members) meeting of such a business entity.
5. If a foreign investor or a group of persons, that established control over a business entity of strategic importance, were refused to grant approval of establishing control in accordance with the procedures specified in Part 5 Article

7 of the Federal Law, within three months after the authorized body sent the refusal to approve establishing control, the foreign investor or the group of persons must alienate the possessed shares (stock) of such a business entity in such a manner that the remaining shares (stock) do not give the foreign investor or the group of persons the rights to control such a business entity. If the foreign investor or the group of persons fails to fulfill this requirement, the court, upon a lawsuit of the authorized body, rules to deprive a foreign investor or a group of persons of the voting rights at the general shareholder (members) meeting of a business entity of strategic importance, and the votes that belong to a foreign investor or a group of persons are not taken into account for forming the quorum at the general shareholder (members) meeting of such a business entity and calculating votes at the general shareholder (members) meeting of such a business entity.

Article 16. Duration of the Federal Law

1. The Federal Law applies to the relations, associated with the investments made by foreign investors or a group of persons in the form of acquiring shares (stock) of the business entities of strategic importance or making other transactions which result in establishing control of a foreign investor or the group of persons over a business entity of strategic importance, that have developed after the day when the Federal Law came into force. As for the relations, associated with investments made by foreign investors or the group of persons in the form of acquiring shares (stock) of the business entities of strategic importance and other transactions which result in establishing control of a foreign investor or the group of persons over the business entities of strategic importance, that had developed before the day when the Federal Law came into force, the Federal Law is applied in terms of the rights and responsibilities which will be created after the Federal Law comes into force.

2. The Federal Law does not apply to the transactions closed before the day when the Federal Law came into force.

3. Within 180 days after the Federal Law came into force, a foreign investor or a group of persons must present to the authorized body, in accordance with the procedures established by the Government of the Russian Federation, information on possessing 5% and more percent of shares (stock) of the business entities of strategic importance, which a foreign investor or a group of persons had acquired before the day when the Federal Law came into force.

Article 17. Entering into force

The Federal Law comes into force on the day of its official publication.

Vladimir

PUTIN

President
Moscow,
29th April 2008

of

the

Russian

Federation
Kremlin

No. 57-FZ

(Non-official translation)