

16 October 2014



On 14 October 2014 the the President of the Russian Federation signed Federal Law No. 305-FZ “On amending the Law of the Russian Federation ‘On mass media’” (“the Law”), tightening the requirements for the participation of foreign investors in Russian mass media entities. The Law will come into effect on 1 January 2016.

The Law introduces amendments to Law of the Russian Federation No. 2124-1 of 27 December 1991 “On mass media”.

The current edition of the Law “On mass media” establishes requirements with regard to the participation of foreign capital in mass media entities only in respect of the prohibition of foreign legal entities and individuals and Russian legal entities that are more than 50 percent foreign-owned from participating in Russian broadcasting organisations.

New restrictions under the Law

The Law proposes lowering the threshold of foreign involvement in Russian legal entities participating in Russian mass media from 50 to 20 percent. In addition, it significantly extends the list of categories of mass media entity for which foreign participation is restricted, to include all mass media, including print and web-based media.

The Law prohibits the following categories of persons from participating in a mass media entity, editorial

office or a legal entity that owns shares in a mass media entity or editorial office:

- foreign states and international organisations
- Russian citizens with citizenship of another state and stateless persons
- foreign citizens and foreign legal entities
- Russian legal entities that are more than 20 percent foreign-owned.

Due to the introduction of the restrictions, the owners of mass media entities would be obligated to comply with the Law and notify the federal executive authority that performs registration of mass media entities (Roskomnadzor) on their compliance with its requirements.

Please be aware that these restrictions apply unless otherwise provided by the provisions of an international treaty¹.

Deadlines for meeting the requirements of the Law

The Law provides for a transition period, during which time the shareholders of mass media entities, editorial offices and broadcasting organisations can bring their companies into compliance with the new requirements. Depending on the category of entity, the transition period will end on one of the following dates:

¹ e.g., "Treaty on the international legal guarantee of unhindered and independent activities to international TV and radio company Mir" (concluded in Ashgabat on 24 December 1993)

- 1 February 2016
- 1 February 2017.

As a general rule, the constituent documents of the aforementioned organisations must be brought into compliance with the requirements of the Law by 1 February 2016. They must then notify Roskomnadzor of their compliance with these requirements by 15 February 2016.

An exception is provided in respect of foreign legal entities and Russian legal entities that are more than 20 percent foreign-owned, for which the deadline is extended until 1 February 2017, provided both of the following conditions are met:

- such entities (together or separately) directly or indirectly own, manage or control over 20 percent of shares in the charter capital of an entity that is a shareholder of a mass media entity, editorial office or broadcasting organisation
- one or several Russian persons directly or indirectly hold at least an 80 percent share in each such legal entity, and is thus the ultimate beneficiary of those legal entities as well as the shareholder of a mass media entity, editorial office or broadcasting organisation.

The deadline for notifying Roskomnadzor on the compliance of the aforementioned entities with the requirements of the Law is 15 February 2017.

Liability for violation of the requirements of the Law

In the event of failure to comply with the requirements of the Law, the activity of a mass media entity may be suspended by court decision under civil law proceedings instigated by Roskomnadzor.

In addition, the participants in entities that participate in mass media entities may be prohibited from

exercising the right to vote and manage said legal entities and receive information on the entity's activities.

* * *

We hope that you find the information presented in this issue both interesting and useful.

Our specialists are ready to answer any questions you may have in relation to the topic of this issue, and to propose services related to the change in corporate structure required to comply with the requirements of the Law.

Contacts

If you have any questions with regard to the information provided in this issue, please feel free to contact our Tax & Legal specialists:

Raisa Alexakhina

Partner

+7 (495) 787 06 00, ext. 2950

ralexakhina@deloitte.ru

Maxim Chaplygin

Partner

+7 (495) 787 06 00, ext. 2139

mchaplygin@deloitte.ru

Tatyana Baryshnikova

Manager

+7 (495) 787 06 00, ext. 8217

tbaryshnikova@deloitte.ru

Andrey Filippov

Senior Consultant

+7 (495) 787 06 00, ext. 1447

anfilippov@deloitte.ru

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www.deloitte.com/ru/about for a detailed description of the legal structure of Deloitte CIS.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.