

2 July 2014



The President of Russia has signed Federal Law No. 173-FZ “On the specifics of conducting transactions with foreign nationals and legal entities, the introduction of amendments to the RF Code of Administrative Offences, and the recognition of certain legislative acts of the Russian Federation as void” (“the Federal Law”).

The Federal Law permits Russian banks and other financial institutions to submit information on foreign taxpayers to foreign tax authorities after receiving the required consent from their clients. In addition, before sending the information to the foreign tax authorities, Russian financial institutions are obligated to submit it to the Russian authorities (including the Bank of Russia and Federal Service for Financial Monitoring), for which the clients must also give their consent.

Russian financial institutions are also obliged to notify the Russian authorities upon registering with foreign tax authorities, as well as upon receiving any requests for client information from foreign tax authorities or foreign tax agents.

If a client refuses to consent to the disclosure or transfer of information, the financial institution has the right to refuse to conclude bank account agreements with that client, refuse to transact on behalf of the client, or to terminate the existing bank account agreement with that client unilaterally.

The Federal Law prohibits obtaining information and reporting on Russian citizens, except individuals with dual citizenship or residence permits in a foreign country. This prohibition also applies to legal entities established and organised under Russian legislation and owned for more than 90% by Russian citizens.

The Federal Law also introduces administrative fines which will apply to Russian financial institutions that violate the established procedures and deadlines for reporting on foreign clients. The fines are set at 20,000-30,000 RUB for officials of financial institutions, and 300,000-500,000 RUB for legal entities.

The Federal Law also regulates the process by which foreign financial institutions located outside Russia should cooperate with the Russian tax authorities.

Finally, it is worth noting that the Bank of Russia has published draft guidelines for notifying the Russian tax authorities on registration with foreign tax authorities, and for terminating bank account agreements and closing bank accounts. These guidelines can be found on the [“Bank of Russia draft legislative acts”](#) section of the Bank of Russia official website.

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