

April 9, 2009

Recent Modifications in the Legal Regime of Russian LLCs Client Alert (Part Two): Amendments to the Russian LLC Law

The earlier [Client Alert \(Part One\)](#), issued January 16, 2009, addressed certain key changes in the Russian Civil Code resulting from December 24 (30), 2008 amendments to Russian laws governing Limited Liability Companies. The new law introduced modifications to the Russian Civil Code, the "Law on LLCs" (the Federal Law of the Russian Federation of February 8, 1998, No. 14-FZ "On Limited Liability Companies" as restated through 2008), and the law on Notariat. The modifications will become effective on July 1, 2009. This alert, part two in the series, reflects the new legal regime of the Russian LLCs.

Most of the modifications in the Russian Law on LLCs are similar to those in the Civil Code, with more detail added in the Law on LLCs, including: governance; management bodies; decisions; voting; time limitations; state registration; shares ("equity interests"); share transfer transactions (including disposal, sale, acquisition, pledge, division, consolidation); notarial action, and others.

The modifications added imperative rules and discretionary formalities which amount to better protection of LLC shareholder rights and governance, thus making Russian LLCs more convenient for direct foreign investment. A Russian LLC remains a more flexible form of business organization than corporations organized as "joint stock companies." The following are some of the key features of a Russian LLC:

- Russian LLCs are "juridical persons," or "legal persons," created via State registration (incorporation).
- Russian LLCs are always fully taxable entities (no "pass-through" taxation or a "non-profit" status is allowed for LLCs).
- Shareholders ("Owners," "Founders," "Participants") of an LLC enjoy limited liability for an LLC's obligations and liabilities.
- By default, an LLC's profits are distributed pro-rated to share ownership, unless the Charter provides otherwise.
- LLCs may be operated by members and managers; the law establishes certain mandatory procedures.
- Russian LLCs must hold annual meetings and maintain formal minutes.
- There is no need to be a Russian citizen or a Russian company to form a new LLC.
- Foreigners may need to file notification or obtain an investment permit or an anti-monopoly permit if investing in an existing LLC.
- If an LLC in which a foreigner owns a share becomes eligible under certain criteria set by investment or anti-monopoly laws, foreigners may need to file notification or obtain investment permits or anti-monopoly permits.

Continuing alerts in this series, including analysis of the amendments introduced in the Russian Law on Notariat, will follow in the near future.

For more information, please contact:

[Sergei Lomako](mailto:sergei.lomako@haynesboone.com)
713.547.2073
sergei.lomako@haynesboone.com

[Chris Wolfe](mailto:chris.wolfe@haynesboone.com)
713.547.2024
chris.wolfe@haynesboone.com