Chapter 20

RUSSIA

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I INTRODUCTION

Attracting foreign investments has been a priority of the Russian government since the moment the country took its first steps towards developing a market economy in 1991. During the past few decades, consistent legislative and administrative measures have been taken to improve the investment climate and provide guarantees and protection for foreign companies undertaking business in Russia. This trend still remains effective and being maintained by the government within the period of mutual economic sanctions, since the investments to Russia are encouraged and supported despite of political alienation between Russia and European countries.

After the economic crisis in 2008, when the amount of investments dropped down to 81 billion US dollars, in 2012 it increased twice as much and constituted 154 billion US dollars. The 2013 statistics show a rapid growth of foreign investments - 170 billion US dollars[2]. After a period of moderate growth, Russia's economy slowed in 2013 due to introduction of sanctions against Russia and a plunge in oil prices that significantly affect investment climate in Russia, though the overall macroeconomic situation continued to remain favourable. Despite imposing sanctions and other political-related issues Russia will remain one of the most attractive fields for investments and will continue its course aimed at attraction of foreign investments to the Russian market.

European Union countries, in particular Cyprus, Netherland, Germany and Luxemburg, remain main investors into Russian economy and industry. Among other major investors, actively operating in the Russian market, the United Kingdom, British Virgin Islands and the Bahamas could be mentioned[3]. Herewith, currently the flow of investments from Asian countries, in particular, China, Korea and Japan, is significantly increasing year-on–year, and Russia considers Asian countries as a promising business partner in the field of mutual investments.

Development of Russian legislation on foreign investments began in 1991, when the first law on foreign investments was enacted. This was replaced in 1999 by the currently effective Federal Law 'On foreign investments in the Russian Federation' (the Foreign Investments Law).[4] The Foreign Investments Law generally defines the status of a foreign investor, the legal regimes for foreign investments, and guarantees and benefits provided to foreign investors active in Russia, and contains

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2 Information from the official web site of the Russian Federal Statistics Service at: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/enterprise/investment/foreign/#

3 Information from the official web site of the Central Bank of the Russian Federation at: http://www.cbr.ru/statistics/?Prtid=svs. The Central Bank of the Russian Federation is currently responsible for analysis of the investment climate in Russia and for preparation of the statistics reports instead of the Russian Federal Statistics Service.

4 The Federal Law 'On foreign investments in the Russian Federation' No. 160-FZ dated 9 July 1999.

provisions regulating the establishment and operation of companies with foreign investments and branch offices of foreign companies.

With the increase of foreign investments flow in Russia, it became clear that the process of investment in strategically important sectors of the economy required more precise control by the state authorities. For this purpose, the Federal Law 'On procedures for foreign investments in companies having strategic importance for the national security and defence' (the Strategic Investments Law)[5] was enacted, and a special governmental commission with control over foreign investments (the Governmental Commission), chaired by the Prime Minister, was formed.

Normative acts adopted by the Russian government also constitute a substantial part of the country's foreign investments legislation and usually contain guidelines on implementation of the foreign investments control rules[6].

Development of cooperation with foreign partners and integration of Russia into world economy were always one of priorities of development of the Russian Federation.

One of the main changes in position of Russia on the international scene is related to creation of the Eurasian Economic Union. A treaty aiming for the establishment of the EEU was signed on 29 May 2014 by the leaders of Belarus, Kazakhstan and Russia, and came into force on 1 January 2015. Treaties aiming at Armenia's and Kyrgyzstan's accession to the EEU were signed on 9 October 2014 and 23 December, respectively. Armenia's accession treaty came into force on 2 January 2015. Kyrgyzstan's accession treaty came into effect on 6 August 2015. It participated in the EEU from the day of its establishment as an acceding state.

The EEU represents the political and economic union based on the Customs Union of Belarus, Russia and Kazakhstan, which has an integrated single market of 183 million people and a gross domestic product of over 4 trillion U.S. dollars (PPP). The EEU is considered as a major player in the world's energy sector, raw materials, arms industry and agricultural production.

The EEU is a new stage of integration, which introduces the free movement of goods, capital, services and people and provides for common transport, agriculture and energy policies, with provisions for a single currency and greater integration in the future. The union operates through supranational and intergovernmental institutions. The Supreme Eurasian Economic Council is the Supreme Body of the Union, consisting of the Heads of the Member States. The other supranational institutions are the Eurasian Commission (the executive body), the Eurasian Intergovernmental Council (consisting of the Prime Ministers of member states) and the Court of the EEU (the judicial body).

II FOREIGN INVESTMENT REGIME

The legal rules regulating foreign investments can be divided into two groups.

The first group contains general rules that are equally applicable to both Russian and foreign investments. These legal rules are contained in the Civil Code of the Russian Federation (the Civil

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5 The Federal Law 'On procedures for foreign investments in companies having strategic importance for the national security and defence' No. 57-FZ dated 29 April 2008.

6 For instance, The Decree of the Government of the Russian Federation 'On approval of rules for preliminary approval of the transactions and coordination of establishment of control of foreign investors or a group of persons, including a foreign investor, over the business entities of strategic importance for the national security and defence' No. 838 dated 17 October 2009 and the Decree of the Government of the Russian Federation 'On approval of rules of submitting by a foreign investor or a group of persons, including a foreign investor, of information on transactions with shares (participatory shares) constituting the authorised capitals of the business entities of strategic importance for the national security and defence' No. 795 dated 27 October 2008.

Code),[7] the Federal Law 'On limited liability companies',[8] the Federal Law 'On joint-stock companies',[9] the Federal Law 'On the state registration of legal entities and sole proprietors'[10], the Federal Law 'On the securities market'[11] and others. These federal laws regulate, *inter alia*, general procedures for the establishment of legal entities, purchasing of shares (participatory shares) constituting the authorised capital of legal entities, questions of corporate governance and state registration of legal entities. In this group, it is also worth mentioning antitrust rules contained in the Federal Law 'On protection of competition' (the Competition Law)[12].

The second group of rules solely regulates foreign investments. The principal laws in this group are the Foreign Investments Law and the Strategic Investments Law.

The Foreign Investments Law determines state guarantees of an investor's rights to invest, gain income and profit, as well as conditions for commercial activities of foreign investors within the territory of Russia. This law is not applicable to making investments of foreign capital into banks and other credit organisations, insurance companies and non-commercial organisations. These spheres are subject to regulation under the Federal Law 'On banks and banking activities' (the Banking Law),[13] the Law of the Russian Federation 'On the organisation of insurance business in the Russian Federation'[14] and the Federal Law 'On non-commercial organisations'.[15]

The second principal law is the Strategic Investments Law, which determines the procedures for making foreign investments in the strategic sectors of the Russian economy. A strategic clearance according to the Strategic Investments Law is required if the target company incorporated in Russia and is active in one of 45 specified types of activity listed therein (like, activities in nuclear and radioactive materials, devices and waste; aviation and space; natural resources sector; exploration and production of minerals on subsoil plots of federal value, use of subsoil plots of federal value (oil and gas sector); coding and cryptographic equipment; mass media and telecommunications; use of agents of infectious diseases (except for, by companies engaged into food production); activities carried out by entities being inserted into the register of natural monopolies, etc.) and/or has a licence for conducting such activity (strategic company).

Since the list of activities stipulated by the Strategic Investments Law is exhaustive, a foreign investor can easily check whether a potential target can be considered as a strategic company.

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7 The Civil Code of the Russian Federation (Part One No. 51-FZ dated 30 November 1994, Part Two No. 14-FZ dated 26 January 1996, Part Three No. 146-FZ dated 26 November 2001 and Part Four No. 230-FZ dated 18 December 2006).

8 The Federal Law 'On limited liability companies' No. 14-FZ dated 8 February 1998.

9 The Federal Law 'On joint-stock companies' No. 208-FZ dated 26 December 1995.

10 The Federal Law 'On the state registration of legal entities and sole proprietors' No. 129-FZ dated 8 August 2001.

11 The Federal Law 'On the securities market' No. 39-FZ dated 22 April 1996.

12 The Federal Law 'On protection of competition' No. 135-FZ dated 26 July 2006.

13 The Federal Law 'On banks and banking activities' No. 395-I dated 2 December 1990.

14 The Law of the Russian Federation 'On the organisation of insurance business in the Russian Federation' No. 4015-1 dated 27 November 1992.

15 The Federal Law 'On non-commercial organisations' No. 7-FZ dated 12 January 1996.

According to the provisions of the Strategic Investments law the term "control" means a possibility of a foreign investor (its group) to:

- determine the decisions made by strategic companies
- exercising the functions of managing organization
- dispose more than 25 per cent shares (participatory interest) in a strategic company
- appoint an individual executive body and (or) 25 per cent and more percent of collegial executive body
- elect 25 per cent and more percent of board of directors (supervisory board).

In accordance with the Decree of the Government of the Russian Federation 'On Governmental Commission executing control over foreign investment in the Russian Federation',[16] the state body responsible for monitoring the foreign investments is the Federal Antimonopoly Service (the FAS). The Governmental Commission considers submitted notifications on transactions and concludes whether there is a threat to national security and defence.

In the banking sector, the acquisition of 10 per cent or more of the shares in a Russian credit organisation is subject to the Central Bank of Russia's prior approval, while acquisition of more than 1 per cent but less than 10 per cent requires a post-transaction notification.

In the insurance sector, a Russian insurance organisation must receive prior approval to increase its authorised capital by means of foreign funds and to assign its shares to a foreign investor. Its shareholders must receive prior approval for the assignment of their shares to foreign investors.

In the mass media sector, foreign investors cannot own more than 20 per cent of shares (participatory interests) of the Russian mass media. Moreover, foreign investors and foreign legal entities, citizens of the Russian Federation with a dual citizenship and stateless persons cannot be among founders of mass media.

In natural monopolies sector, acquisition of more than 10 per cent of fixed assets of a legal entity operating in the sphere of natural monopolies requires clearance from the FAS[17]. The necessity of post-transaction notification in cases of acquisition of more than 10 per cent of the shares (participatory shares) constituting the authorized capital of such legal entity was abolished within the adoption of the 'Fourth antimonopoly package' (set of amendments that came into force since 5 January 2016).

It should be noted that the Head of the FAS, Igor Artemiev has proposed several times to abolish the Federal law 'On natural monopolies' and to replace it by the corresponding part in the Competition Law.

III TYPICAL TRANSACTIONAL STRUCTURES

Generally, there are three legal forms for foreign investments in Russia: legal entities (limited liability companies (LLCs), joint-stock companies or partnerships), including joint ventures (JVs); branches and representative offices; and legal investment contracts.

In recent years, it has become quite common for foreign investors to conduct business in Russia by forming a JV with a Russian partner who is more familiar with the local rules and customary business practices, and has vast business experience in the Russian market. Until recently, the prevailing tendency in Russia has been to use offshore structures for the creation of JVs, and to govern shareholders' agreements by a foreign (mostly English) law due to the fact that foreign law provides for a wide range of protection mechanisms and remedies. Nevertheless, Russian law has lately become more widely used for JV creation due to certain positive legislative and law enforcement changes, including the fact that it now allows the conclusion of shareholders' agreements governed by Russian law, and it is now

16 The Decree of the Government of the Russian Federation 'On Governmental Commission executing control over foreign investment in the Russian Federation' No. 510 dated 6 July 2008.

17 The Federal law 'On natural monopolies' No. 147-FZ dated 17 August 1995.

possible to limit the right of the participants in Russian LLCs to withdraw from the company, which makes LLCs more stable and convenient form for establishing a JV.

The Competition Law includes several areas of particular interest to foreign investors. Thus, provided that the filing thresholds described in the Section IV, *infra*, are met, transactions and other actions (including establishment of companies) that involve acquisition of the following will fall under the merger control requirement:

a) fixed productive assets, intangible assets, or both, located or registered in the territory of Russia;
b) shares, participatory shares or rights in respect of Russian companies and non-commercial organisations;
c) shares, participatory shares or rights in respect of foreign companies or organisations that supplied goods to Russia in the amount exceeding 1 billion roubles during the calendar year presiding the date of execution of the transaction or other action subject to state control; or
d) conclusion of JV agreements.

Thus, since 5 January 2016 all JV agreements concluded between competitors that have combined assets of over 7 billion roubles or combined revenues of over 10 billion roubles are subject to pre-completion clearance with the FAS if they have effect on or might influence on the Russian market[18]. In this regard, three possible situations regarding the pre-transaction clearance of JV agreements might be considered:

1. Entering into a JV agreement which supposes formation of new legal entity

If the assets/turnover thresholds are met, the transaction will require the merger filing, if the authorized capital of the newly-formed JV will be paid by:

- fixed productive assets and/or intangible assets located or registered in the territory of the Russian Federation, which are held by any of the JV's founders (or by the companies from their groups) and the balance sheet value of which exceeds 20 per cent of all fixed productive assets and intangible assets of the transferring company;
- more than 25 per cent of a Russian joint stock company (or 1/3 participatory share of a Russian limited liability company); OR
- more than 50 per cent shares of a foreign company supplying products (services) to Russia in the amount exceeding 1 billion roubles during the calendar year presiding the date of execution of the transaction.

2. Entering into a JV agreement which supposes participation in already existing legal entity

If the assets/turnover thresholds are met, the transaction will require the merger filing, if:

- already existing foreign legal entity has asserts and/ or subsidiaries in Russia;
- already existing foreign legal entity supplied products (services) to Russia in the amount exceeding 1 billion roubles during the year preceding the transaction.

3. Entering into a JV agreement without formation of new legal entity.

In this case all JV agreements which may have an impact on the state of competition in Russia are subject to obligatory merger clearance, if the assets/turnover thresholds are met.

IV REVIEW PROCEDURE

As previously mentioned, the Competition Law provides for merger control in the form of a pre-transaction clearance.

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18 The Federal Law 'On amendments to the Federal Law 'On protection of competition' and separate legal acts of the Russian Federation' No. 275-FZ dated 5 October 2015.

The thresholds for the pre-transaction filing are as follows:

a. the worldwide value of assets of the acquirer (with its group) and the target company (with its group) according to the latest accounts exceeds 7 billion roubles; and the worldwide value of assets of the target company (with its group) according to the latest accounts exceeds 250 million roubles;
b. the worldwide aggregate turnover of the acquirer (with its group) and the target company (with its group) in the previous business year exceeds 10 billion roubles; and the worldwide value of assets of the target company (with its group) according to the latest accounts exceeds 250 million roubles

It should be noted that before 5 January 2016, the Russian competition law established one more threshold for the pre-transaction filing. Thus, pre-completion clearance with the FAS was required if one of the entities (the acquirer, the target company or any entity from their groups) was recorded in the Register of companies as having a market share exceeding 35 per cent on the particular commodity market. However, since 5 January 2016 this Register was abolished within the 'Fourth antimonopoly package', subsequently, the corresponding threshold for the pre-transaction filing is not applicable anymore.

Previously there was another form of merger control - post-completion notification, when the FAS had to be informed about the implemented transaction within 45 calendar days after the closing. This requirement was generally abolished pursuant to amendments to the Russian antimonopoly legislation (effective from January 30, 2014). This was done in order to exclude small and mid-sized businesses transactions from supervision of the FAS and reduce the administrative burden upon business.

Herewith, the post-transaction notification may still apply in specific cases, for example, to certain intra-group transactions, provided that the company discloses its group in the competition authority's official web-site.

As was mentioned above, acquisition of strategically important businesses in Russia requires a separate clearance by the state authorities.

Thus, in accordance with the Strategic Investments Law, the following types of transactions are subject to receiving of the preliminary consent of the Government Commission:

1) transactions (except for transactions concerning subsoil plot of federal value) as a result of which the foreign investor (or its group) receives:

    A. the right to dispose more than 50 per cent shares (interests) in the strategic company;

    B. the right to appoint individual executive body and (or) more than 50 per cent of collegial executive body or board of directors (supervisory board) of the strategic company.

2) transactions related to shares (interests) in the strategic company, which is carrying out use of the subsoil plot of federal value, as a result of which the foreign investor (or its group) receives:

    A. the right to dispose more than 25 per cent shares (interests) in the strategic company;

    B. the right to appoint individual executive body and (or) more than 25 per cent of collegial executive body or board of directors (supervisory board) of the strategic company.

3) acquisition of shares (interest) in respect of strategic company, which is carrying out use of the subsoil plot of federal value, if a foreign investor (or its group) of persons has the right to dispose not less than 25 per cent and not more than 75 per cent of shares (interests) in this company;

4) contracts on implementation of functions of the managing director (managing organization) of the strategic company;

5) transactions directed on acquisition by the foreign state, international organization or by the organization which is under their control of the right directly or indirectly to dispose more than 25 per cent shares (interests) in the strategic company, or other opportunity to block decisions of the strategic company, which is carrying out use of the subsoil plot of federal value;

6) other transactions, agreements directed on transfer of the right to determine decisions of managerial bodies of the strategic company, including conditions of implementation of its business activity, to the foreign investor or a group of persons;

7) acquisition of fixed productive assets of the strategic companies, the balance sheet value of which exceeds 25 per cent of all fixed productive assets of the transferring company.

Subsequent control is maintained through notification on possession of 5 per cent or more of the shares (participatory shares) constituting the authorised capital of the strategic company.

Regarding the post-transaction notification, it should be submitted to the authority within 45 calendar days from the date of closing of the transaction. Post-transaction notification should be considered within 30 days from the date of submission of the relevant documents.

Upon the results of consideration of the notification submitted to the FAS special notice on the fact that the notification on the transaction was taken into account shall be granted.

Additionally, please pay attention to the fact that foreign investors or group of persons are also obliged to submit to the authority also post-completion notification and inform the authority on implementation of the transaction or other actions on which preliminary consent was granted.

Under the Foreign Investment Law, transactions made by foreign states, international organisations or by organisations controlled by them are subject to pre-transaction clearance if the transaction results in:

a) the acquisition of the right to dispose directly or indirectly of over 25 per cent of the total number of the voting shares or participatory shares constituting the authorised capital of a Russian commercial organisation; or
b) other abilities to block decisions made by managerial bodies of such commercial organisations.

Generally, a foreign investor prior to implementation of the transaction leading to establishment of the direct or indirect control over a strategic company should obtain the approval of the Governmental Commission chaired by the Prime Minister of Russia. Preliminary proceedings are held by the FAS and other state bodies.

An application is submitted to the FAS, which works as a 'secretary'. The FAS checks all the documents, coordinate agencies and prepare the draft of the decision for the Governmental Commission. Altogether, procedure of compliance takes from 3 to 6 months from the moment of submitting the application.

As for procedure of consideration of the application, it should be noted that since 2 February 2016 the Governmental Commission has obtained the right to make absentee decisions on applications filed by foreign investors. The decisions on holding of absent voting are made by the Chairman of the Governmental Commission. If the Governmental Commission members cannot reach a unanimous position, the issues must be put to voting in person[19].

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[19] The Decree of the Government of the Russian Federation 'On amendments to section 9 of the Regulation on Governmental Commission executing control over foreign investment in the Russian Federation' No. 46 dated 30 January 2016.

Amendments introduced by the 'Forth antimonopoly package' also established the possibility of submission of the applications and documents in an electronic form for simplifying document circulation process.

In the event of failure to observe the legal rules with respect of clearance of the transactions and notifying the authorities on the transactions implemented, some civil and administrative liabilities will apply.

Violation of the filing obligations (failure to notify within the required time limits, such as by submitting misleading information to the FAS; failure to provide required information; failure to comply with the FAS ruling), as well as closing the transaction without FAS clearance, may result in the imposition of an administrative fine of up to 500,000 roubles on the acquirer. Administrative liability in the form of a fine of up to 20,000 roubles may be also imposed on the CEO of the acquirer.

If a transaction implemented without FAS clearance may result or results in the restriction of competition in Russia (including, without limitation, the strengthening of a dominant position), the FAS may file a lawsuit, and a competent state court may declare the transaction invalid, and, as a result, reverse the transaction.

Transactions executed in breach of the Strategic Investments Law are null and void. If it is not possible to apply the consequences of invalidity on a void transaction, the state court may, upon a lawsuit brought by the FAS, adopt a decision to deprive the foreign investor of its right to vote at the shareholders' (participants') meeting of the strategic company; or to invalidate those decisions of the management bodies of the strategic company adopted after the establishment of control in breach of the Strategic Investments Law. A foreign investor might also face an administrative fine up to 1 million roubles for failure to obtain preliminary approval or notify the transaction in accordance with the Strategic Investments Law.

Among recent examples when the court void the transaction concluded without obtaining the clearance under the Strategic Investments Law, the following case might be mentioned. In 2011 the Iranian companies illegally established control over the Russian strategic company – Astrakhan Port OJSC without obtaining clearance to the transaction with the Governmental Commission. Consequently, the FAS filed the lawsuit with aim at avoidance of the transaction. In the court of the cassation, the FAS and the Iranian companies concluded settlement agreement under which the Iranian companies should alienate all shares acquired in Astrakhan Port OJSC[20].

The statutory period for consideration of the pre-transaction application by the FAS is 30 calendar days from the date of receipt of the application and the full set of documents attached thereto. The above term may be extended by an FAS decision for up to two months for the submission of additionally requested documents. As such, the period for obtaining approval under the Strategic Investments Law constitutes from two-and-a-half up to three months from the moment of submission of the application, and can be extended for up to three more months.

The Competition Law provides for the extension of the period to consider an application if it is to be approved in advance in accordance with the Strategic Investments Law prior to the adoption of the decision with respect to such a transaction in accordance with the Competition Law. Moreover, the FAS will refuse to clear a transaction in accordance with the Competition Law if such transaction is not approved in accordance with the Strategic Investments Law.

Under the Strategic Investments Law, the Governmental Commission is entitled to initiate an expert assessment of the data, which is accessible by the applicant, as regards their pertinence to data constituting a state secret. In addition, for the purposes of establishing the fact of institution of control by a foreign investor or a group of persons over a company of strategic importance, as well as the fact that there is an agreement made by a foreign investor and third persons (concerted actions) aimed at instituting control over a company of strategic importance, operational units of the federal security service agencies are entitled to undertake operational search measures. The results of these operational search activities may be used for substantiation of the claims made in court.

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20 http://en.fas.gov.ru/press-center/news/detail.html?id=44661

V FOREIGN INVESTOR PROTECTION

According to the Foreign Investments Law, the legal regime for foreign investments is generally equal to that for the investment activities of national (local) investors to the extent particularly indicated in the federal laws. Restrictive exceptions to the foreign investments regime may be introduced only for protection of the constitutional fundamentals of morality, health and other rights of persons, or in order to ensure state security and defence.

Foreign investors are fully protected against nationalisation or expropriation, unless such action is mandated by the federal laws. In such case, foreign investors are entitled to receive compensation for any investment and other losses. However, any affiliated and dependent companies of a commercial organisation with foreign investments shall not enjoy the legal protection, guarantees and privileges established by the Foreign Investments Law.

The Foreign Investments Law provides a number of guarantees for foreign investors. *Inter alia*, it guarantees the right of foreign investors to:

a. make investments in any forms permitted by the law;
b. acquire private and government securities;
c. take part in privatisations; and
d. acquire land plots, subsoil resources, buildings and other immoveable property.

VI OTHER STRATEGIC CONSIDERATIONS

When considering making investments in Russia a foreign investor shall also think about the benefits and preferences of setting up a new business in a special economic zone (SEZ), which is a territory within the Russian Federation defined by the Russian Government where a special business activity regime is introduced and free customs area may be applied[21].

SEZ might be created for different purposes, from development of manufacturing and high-technology industries to facilitation of tourism, creation of sanatorium-resort areas, improvement of port and transport infrastructure. For instance, SEZ in Lipetsk is designated for attraction of foreign investments in production of finished metal products, machinery and equipment, vehicles, machines and components, construction materials, while SEZ in Alabuga stimulates foreign investments in motor vehicles and components, petrochemicals and construction materials production.

The majority of special economic zones were created under the Degrees of the Government of the Russian Federation. However, some special economic zones might be formed in accordance with the Federal Laws. Free economic zone on the territory of Crimea and Sevastopol which has been created till December 31, 2039 is an example of such zone[22].

Except for SEZ, regional development zones (RDZ) may be created on the territory of the Russian Federation too[23]. RDZ is the part of the territory of the region of the Russian Federation where special measures of state support are granted to its residents with aim of socio-economic development of the region by way of attracting investments. The measures of state support are related to tax benefits and financing of different projects. These zones may be formed only on the territory of definite regions of the Russian Federation, the list of which is established by the Degree of the Government[24].

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21 The Federal Law 'On Special Economic Zones in the Russian Federation' No 116-FZ dated 22 July 2005.

22 The Federal Law 'On the development of Crimean Federal District and Free Economic Zone on the territory of the Republic Crimea and city of federal significance Sevastopol' No. 377-FZ dated 29 November 2014.

23 The Federal Law 'On regional development zones in the Russian Federation and amendments to the separate legal acts of the Russian Federation' No. 392-FZ dated 3 December 2011.

24 The Degree of the Government 'On establishment of the list of the regions of the Russian Federation on the territories of which creation of regional development zones is authorized' No. 326 dated 10 April 2013.

Moreover, one more of the main directions of investment policy of the Russian Federation is an increase of investment appeal of the Far East region.On 29 December 2014, the Federal Law 'On the territories of priority socio-economic development' was adopted. Under this law, the 'territories of priority socio-economic development' (Accelerated Zones) are the parts of the territories of the regions of the Russian Federation on which the special regime of carrying out of business activity is established with aim of attracting investments. It should be noted that this law became effective on 30 March 2015 and during 3 years from this date the Accelerated Zones may be created only on the territory of the Russian Far East, as well as on the territories of the monotowns (towns whose economy is dominated by a single industry or company) the list of which is established by the Order of the Government[25]. After expiration of this term the Accelerated Zones may be created on the territories of all regions of the Russian Federation, not only on the territories of the Russian Far East.

Russia also takes a number of practical measures for creation of institutes which purpose is development of investment climate in Russia, for example:

A. The Foreign Investment Advisory Council (FIAC) - FIAC was established in 1994 as a result of the combined efforts of the Russian government and foreign businesses to improve the investment climate in Russia.

The key task of the council is to assist Russia in forging and promoting a favourable investment climate based on global expertise and the experience of international companies operating in Russia, with a focus on the crucial aspects of fostering a healthy investment climate.

The council is chaired by the Russian Prime Minister and includes 53 international companies and banks: 3M Company, ABB Ltd., Abbott Laboratories, Alcoa Inc., AstraZeneca, BASF SE, Bayer AG, BP, British American Tobacco, Cargill, Inc., Carlsberg Breweries A/S, Deutsche Bank AG, The Coca-Cola Company, Total S.A., UniCredit, Unilever, United Technologies Corporation, The World Bank, etc[26].

B. Agency for strategic initiatives - the autonomous non-profit organization founded by the Government of the Russian Federation for realization of a package of measures in economic and social spheres, in particular, for promotion of priority projects, realization of actions for improvement of the enterprise environment in Russia, to development of professional shots, etc.[27]
C. Investment portal of the Russian regions which purpose is to acquaint the Russian and foreign businessmen with investment opportunities of the Russian regions and to help to choose a place for business placement to be created[28].

VII CURRENT DEVELOPMENTS

Within the defined form and structure of foreign investments legislation in Russia, which exists for over two decades, the legislators' priority now is a specification of the rules and making them compliant with the world best practices. The main idea is to make the foreign investments easier, to limit the administrative barriers and to guarantee comprehensive and nondiscriminatory approach to foreign investors' initiatives in Russia.

According to the practice of the FAS and the Governmental Commission, the number of applications on strategic clearance is constantly increasing. In 2014, 34 applications were considered by the Governmental Commission, in 2015 the number of applications grew and amounted to 44

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25 The Order of the Government 'On establishment of the list of monotowns' No. 1398-r dated 29 July 2014.

26 http://www.fiac.ru/

27 http://www.asi.ru/

28 http://www.investinregions.ru/en/why-russia/

applications[29]. By the end of the first quarter of 2016, the FAS and the Governmental Commission have been considering approximately 15 applications. In particularly, the applications from Japan, the USA, Norway and Cyprus investors have been received. It is now expected that the whole number of applications, which will be considered by the Governmental Commission in 2016 would be more than those reviewed in 2014-2015.

Among the most important transactions recently approved by the Governmental Commission it should be mentioned clearance of acquisition of 15 per cent shares in Vankorneft JSC, wholly owned subsidiary of 'Rosneft', by Indian state oil company ONGC Videsh. As a result of transaction, the Russian and the Indian parties jointly aim at development of the largest oil and gas deposit, which was found in Russia during the recent 25 years[30].

In general, the natural monopolies, as well as the companies rendering the services in seaports of the Russian Federation, carrying out the activity in the sphere of nuclear industry were the among the most popular strategic businesses the foreign investors has been intending to establish during the recent years.

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On July 16, 2015 Vassily Rudomino was awarded the medal «For Merit to the Fatherland» II class for his merit in the formation of effective practice of the competition law enforcement and active participation in the antitrust law-making.

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