



Leading the Way in Russian Law®

October 03, 2011

Federal Law No. 228-FZ

On the 18th of July, 2011 the President of the Russian Federation signed the Federal Law No. 228-FZ "On amending certain legislative acts of the Russian Federation regarding the revision of the means of protecting the rights of creditors with a decrease in the share capital, changes in requirements for business entities in the case of non-consistency of net asset value with charter capital" (hereafter – the "LLC amendment law").

The LLC amendment law pertains net assets being an important part of activity of a commercial entity. We observe that procedure of valuation of net assets is currently regulated by executive legislation and until recently such legislation was dealing only with joint-stock companies (hereafter– the "JSC"). In relation to limited liability companies (hereafter – the "LLC"), those regulations were applied only as analogy.

As the LLC amendment law comes into force, the procedure of value determination of the LLC's net assets will also be governed by executive legislation. And the wording of the Law allows to make a conclusion that procedures for the JSC and the LLC will be regulated by different acts (Ministry of Finance together with Federal Service of Financial Markets should issue an act for JSCs, and a Federal executive Body specifically authorized by Government should issue the rules for LLCs).

The LLC amendment law introduces some changes to the procedure of the LLC charter capital mandatory reducing in connection to insufficiency of net assets, the procedure for notifying creditors and interested parties about the decision to reduce the charter capital on the abovementioned reason.

Particularly the LLC amendment law establishes the obligation of the LLC to notify the state registering authority within three days upon the decision to decrease the charter capital was made and to publish the relevant notification in the "State registration Herald" twice with a period of one month in between.

Particularly the LLC amendment law establishes the obligation of the LLC to notify the state registering authority within three days upon the decision to decrease the charter capital was made and to publish the relevant notification in the "State registration Herald" twice with a period of one month in between.

LLCs are also required to disclose in the annual report the indicators of dynamics of change in net asset value and share capital, as well as the results of the analysis of the causes for decrease in net assets value and a list of measures to bring the value of net assets in accordance with the size of its charter capital and to provide information on the net asset value for any interested party.

LLCs are also required to disclose in the annual report the indicators of dynamics of change in net asset value and share capital, as well as the results of the analysis of the causes for decrease in net assets value and a list of measures to bring the value of net assets in accordance with the size of its charter capital and to provide information on the net asset value for any interested party. Also the Law introduces the normative basis for creation of the new informational resource in 2013 - the Unified federal register of information about the facts of legal entities activity (hereafter – the "Register").

It should be noted that the LLC amendment law establishes publicity regime for the company's net assets information. The LLC as much as the JSC will be required to provide every interested party with such kind of information. This obligation is in addition to the general JSC's information disclosure requirements.

Also the LLC amendment law introduces the normative basis for creation of the new informational resource in 2013 - the Unified federal register of information about the facts of legal entities activity (hereafter – the "Register").

This Register shall contain information about registration, reorganization and liquidation of legal entities, information about the actions with the charter capital (increase and decrease), the net asset value of the legal entity.

Remarkable is the fact that the information from the Register will be hosted in the Internet without restrictions on access. Accordingly, data, that earlier was available only upon request to the registering authority, will be accessible to public. Consequently this measure may simplify the procedure of examination of good faith of the contract counterparty before entering into the contract.

The LLC amendment law comes into force in its core part on the 1st of January, 2012, whereas provisions pertaining to the Register shall enter into force on 1st of January, 2013.