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# Russian Legal Update

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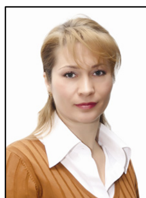
## New Medicines Law Clarifies State Registration Procedures and Opens the Door to Adoption of GMP Standards



by **Evgenia Korotkova** and **Tatiana Kozlova**

The President of the Russian Federation (the "RF") Dmitry Medvedev signed into law on April 12, 2010 Federal Law No. 61-FZ "On the Circulation of Medicines" (the "New Medicines Law"). The New Medicines Law will enter into force on September 1, 2010, and will replace the currently existing Federal Law No. 86-FZ "On Medicines", dated June 22, 1998 (as amended) (the "Current Medicines Law").

Most importantly, the New Medicines Law: (i) sets forth in greater detail the state registration procedure for medicines; (ii) details the procedure for clinical trials; (iii) further regulates maximum prices for certain essential medicines; and (iv) contemplates the adoption of new pharmaceutical manufacturing standards.

### State Registration Procedure for Medicines

All medicines which are manufactured in or imported into the territory of the RF must be registered with the state. The New Medicines Law sets out in far greater detail than the Current Medicines Law the procedure for the mandatory state registration of medicines by the authorized state body, the Federal Service for Oversight of Healthcare and Social Development for the Ministry of Healthcare and Social Development of the RF ("Roszdravnadzor").

Medicines which are already registered will not need to be re-registered. However, newly registered medicines under the New Medicines Law will need to be re-registered after five years and their registration will only thereafter be unlimited in term.

The registration process will be subject to a maximum of 210 days, though if a clinical trial is required, the registration process will take additional time (at the moment, the process usually takes six to eight months, but can take longer).

Under amendments to the RF Tax Code signed into law on April 5, 2010, payment for performing examinations within the medicine registration process is transformed into a state duty for performing examinations for each stage of the registration procedure (excluding the clinical trials stage).

The New Medicines Law stipulates that documents submitted by the applicant must be provided through Roszdravnadzor to the Expert Institution (as defined below) and the Council for Ethics (as defined below); therefore, direct interaction between the applicant and the Expert Institution or the Council for Ethics is not directly provided for.

Under the New Medicines Law, the state registration process operates as set out below.

At *the first stage*, Roszdravnadzor must consider an application for the state registration of the medicine. As a result of such consideration, (1) if a clinical trial is required ("Scenario 1") Roszdravnadzor must then order (i) an examination of the documentation provided along with the application, and (ii) an ethical test of the medicine necessary for issuing a permit for a clinical trial; or (2) if a clinical trial is not necessary ("Scenario 2"), Roszdravnadzor must then order (i) an examination of the quality of the medicine, and (ii) an analysis of the expected benefits versus the possible risks associated with the use of the medicine.

In the case of Scenario 1, after completion of the steps required, the state registration procedure proceeds to the *second stage*. In the case of Scenario 2, after completion of the steps required, the state registration procedure proceeds directly to the *fourth stage*.

At *the second stage,* an examination of the documentation accompanying the application is conducted and an ethical test of the medicine necessary for issuing a permit for a clinical trial is carried out.

A state body for performing medicine examinations will be established by Roszdravnadzor (the "Expert Institution"). A detailed procedure for medicine examinations by the Expert Institution and qualification criteria for the appointment of the experts of the Expert Institution are now provided for under the New Medicines Law.

The ethical test is new to the law and will look at ethical considerations with respect to a medicine. The ethical test shall be carried out by a special council for ethics (the "Council for Ethics"), which is established by Roszdravnadzor.

Based on the order issued by Roszdravnadzor, the Expert Institution and the Council for Ethics shall issue expert opinions, based on which Roszdravnadzor shall issue a conclusion on the possibility of conducting clinical trials. The state registration process will then be suspended until the applicant submits a further application for a permit to conduct a clinical trial to Roszdravnadzor.

*The third stage* consists of the clinical trial, which may be performed based on a permit to conduct a clinical trial issued by Roszdravnadzor. A clinical trial is not required for (i) medicines which have been permitted under law for medical use in the RF for more than 20 years; or (ii) medicines with respect to which international multi-center clinical trials have been performed, provided that part of such clinical trial was conducted in the territory of the RF. *Please see the next section of this article for further discussion of clinical trials.*

*The fourth stage* consists of: (i) an examination of the quality of a medicine based, inter alia, on the results of the clinical trial; and (ii) an analysis of the expected benefits versus the possible risks associated with the use of the medicine (both examinations shall be carried out by the Expert Institution).

As a result of the fourth stage, if a positive conclusion is reached by the Expert Institution, Roszdravnadzor shall issue a decision on the state registration of the medicine.

**Clinical Trials for Medicines**

Clinical trials for the safety of medicines produced abroad on healthy volunteers, testing their tolerance to such medicines, may not be performed in the RF under the New Medicines Law.

The New Medicines Law limits clinical trials which may be conducted in the RF territory to (i) clinical trials within the RF state registration process; (ii) international multi-center clinical trials; and (iii) post-registration clinical trials.

The New Medicines Law permits only an accredited medical institution (the "Medical Institution") to conduct clinical trials.

The clinical trials must be performed based on a contract between the Medical Institution and the applicant (provided it has been granted a permit by Roszdravnadzor to order a clinical trial with respect to a medicine). The contract should contain, *inter alia*, a provision detailing the total costs of the clinical trial program and specifying the amounts due to the investigators and co-investigators of the Medical Institution.

Under the New Medicines Law, the principal investigator performing the clinical trials should have relevant medical specialization and not less than five years' experience of performing clinical trials.

The New Medicines Law requires that the life and health of the patients participating in clinical trials be insured under a mandatory insurance contract and specifies the amount of such insurance payment to be made to patients under such a contract in certain events by an insurer (e.g., 2,000,000 Rubles in the case of the death of a patient).

**State Regulation of Prices for Essential Medicines**

The New Medicines Law provides for detailed regulation of prices of medicines included into the Essential Medicines List set out by recent decrees of the RF Government and further establishes maximum prices for certain medicines which are to be listed in an Essential Medicines List maintained by the RF Government.

It is estimated however that only 30% of the market for drugs sold in Russia are on the Essential Medicines List, according to Global Insight,

therefore, the price regulation should not apply to the majority of drugs sold in Russia.

**Import of Medicines**

As is the case under the Current Medicines Law, the New Medicines Law allows the import of only medicines registered in the RF, but no longer requires that the importer have a representative office in Russia, provided that the importer executes a supply agreement with a wholesaler which is a licensed company under Russian law.

The New Medicines Law provides that only specific parcels of unregistered medicines may be imported for: (i) clinical trials; (ii) examinations of the medicines in connection with the state registration process; and (iii) the provision of medical aid to a specific patient. A permit for import in these cases will be granted by Roszdravnadzor if the medicine meets certain safety standards.

**New Pharmaceutical Manufacturing Standards**

The New Medicines Law provides that new supplementary regulations establishing standards for pharmaceutical manufacturing companies including quality control over medicines will be adopted. Originally, the draft law provided that such regulations were to push pharmaceutical manufacturing companies to comply with such new standards by 2012, but heavy resistance from the pharmaceutical industry persuaded legislators to move this date to 2014.

**Further Provisions**

In addition, the New Medicines Law provides for the right of wholesalers to sell medicines directly to medical institutions, which is prohibited under the Current Medicines Law. The Current Medicines Law currently allows third parties to buy drugs from wholesalers and sell to medical institutions at a premium. The New Medicines Law also amends labeling rules with respect to medicines, stipulating the information to be provided on the inner and outer packaging of the product.

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## New Tax Rules Governing Derivatives, Repo Transactions and Other Securities Transactions Adopted

by **Valentin Andrianov** and **Jeff Browne**

In our February 2010/First Quarter edition of *DechertOnPoint*, we analyzed the new regulation on trading derivatives and other financial instruments introduced by Federal Law No. 281-FZ "On Amendments to Part One and Part Two of the Tax Code of the Russian Federation and Certain Legislative Acts of the Russian Federation", dated November 25, 2009 (the "Tax Law"). In this article, we focus on the new taxation rules introduced by the Tax Law, in particular with respect to the taxation of financial derivatives, repo transactions, securities transactions and the income of clearing systems. The amendments to the Russian Tax Code proposed in the Tax Law are substantial and for the first time address specifically the taxation of derivatives and repo transactions under Russian law. The Tax Law came into force on January 1, 2010 (save for certain provisions).

**The Taxation of Derivatives**

The key introductions concerning the taxation of derivatives include:

- the definition of a "derivative", which, for the purposes of corporate income tax, is narrow and excludes weather derivatives, emission reduction-linked derivatives and derivatives linked to statistical indices;
- derivatives that are not recognized under Russian law will not be regarded as derivatives for corporate income tax purposes and any losses resulting from such contracts will not be tax deductible under Russian tax law. There is currently uncertainty as to whether a cross-border derivative with a Russian company is enforceable if it is governed by Russian law and therefore it is unclear whether going forward a Russian company would be able to utilize losses from these trades for its tax purposes;
- currency and mark-to-market revaluations of derivatives cannot be included as taxable income (save for actually paid or received

amounts) and will only be included as taxable income when the transactions are closed out;

- a taxpayer may choose between treating a transaction for tax purposes as a derivative or treating a transaction as a supply transaction with delayed execution (e.g., a forward contract), but only with respect to those transactions that provide for physical settlement (therefore, forwards which are not physically settled are explicitly excluded). Transactions which do not provide for physical settlement must be treated as derivatives; and

- payments made under derivative contracts (including premium amounts, mark-to-market payments, and other periodic or one-off payments) are exempt from VAT. However the transfer of underlying assets under derivatives will ordinarily be subject to VAT.

**The Taxation of Repo Transactions**

The Tax Law introduces a definition of a "repo transaction" into the Tax Code. The Tax Law also recognizes a number of key concepts (such as substitution and set-off) intended to enable the repo transaction market to operate efficiently.

There remains uncertainty with respect to the payment of withholding tax. The Tax Law provides that if there is any dividend on shares sold under the first part of a repo by a foreign entity to a Russian buyer, the latter must, prior to the transfer of that dividend to the foreign seller, deduct the portion of tax that the issuer has failed to withhold. It is, however, unclear how this provision would operate in practice in cases where this provision conflicts with the terms of a double taxation treaty to which Russia is a party.

While generally repo transactions are exempt from VAT based on Section 3 Article 149 of the Tax Code, a taxpayer may waive this exemption. Hence, it may be appropriate to include a specific representation as to absence of such waiver into the repo documentation.

**The Taxation of the Sale and Purchase of Securities**

The Tax Law taxes the sale of securities that are quoted on a recognized securities market and unquoted securities differently. A security will be deemed to be a quoted security only if a market quote for this security has been determined in accordance with applicable law at least three months prior to the date of the sale. If a security is quoted, the sale price will be accepted for tax purposes if it falls within the range between the maximum and minimum prices registered on the relevant exchange during the three months prior to the trade (the previous reference period was twelve months) and if it exceeds this range, then there must be a downward adjustment.

With respect to unquoted securities, a taxpayer must calculate the reference price either on its own or with the assistance of an independent appraiser, but nevertheless pursuant to written methods and procedures which the taxpayer is obliged to set out in its accounting policy. As of 2011, however, the reference price must be determined in accordance with rules that will be developed by the Ministry of Finance and implemented by the Federal Service for Financial Markets.

The Tax Law clarifies that dividend income from shares held under the Russian equivalent of a trust relationship (*доверительное управление*), where property is held for the economic benefit of another person, is treated as the dividend income of its beneficial owners and not of the trustee. If the trustee is a Russian legal entity and the beneficiaries are foreign entities, the trustee is required to act as a tax agent and withhold tax on dividends, if such tax was not already fully withheld when the dividends were paid.

**Stock lending**

Stock loans are taxed in a similar way to repo transactions under the Tax Law. In order to qualify as a stock loan, the term of the stock loan should not exceed one year and interest payments must be made in cash. Should the borrower fail to return the securities within one year, both the lender and the borrower would have to record a sale and purchase of the securities.

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## Draft Law Would Impose Tighter Regulation Over the Insurance Industry

by **Alexander Volnov** and **Evgenia Gaysinskaya**

The Draft Law "On Amending the Law on the Organization of Insurance Activities in the Russian Federation" (the "Draft Insurance Law"), currently progressing through the Russian legislative process, would, if adopted, impose tighter regulation of the insurance industry in the Russian Federation.

**Notification/Approval Requirements for Purchasing a Stake in an Insurance Company**

The Draft Insurance Law provides that the acquisition of a stake of between 1% and 20% in an insurance company by Russian individuals or legal entities must be notified to the Federal Insurance Supervision Service ("FISS") no later than 30 days following the acquisition.

The acquisition of a stake of over 20% in an insurance company by Russian individuals or legal entities would be subject to the prior approval of FISS. FISS would be required to either approve or refuse an application within 60 days of receipt, and any such refusal must contain the reasons for such refusal.

The Draft Insurance Law provides that the acquisition of a stake of any size in an insurance company by foreign individuals or legal entities would be subject to the prior approval of FISS. The new requirements, if adopted, would apply in addition to the requirements established by the RF Federal Law No. 135-FZ ("On Protection of Competition"), dated July 26, 2006.

**Prohibition on the Acquisition of Stakes in Insurance Companies Following Violation of Insurance or Other Financial Laws**

Under the Draft Insurance Law, the acquisition of a stake in an insurance company by Russian individuals or legal entities or their affiliates would not be permissible if: (i) within the previous three years such persons committed violations of any insurance or other financial laws which led to a failure to fully discharge the demands of creditors of insurance companies or other financial organizations; (ii) within the previous three years such persons had performed the functions of the sole executive body, management board or were founders or the chief accountants of legal entities declared bankrupt due to the fault of such persons; (iii) such persons had performed the function of the sole executive body of (a) an insurance company which had failed to comply with certain requirements of the RF Law No. 4015-1, dated November 27, 1992 "On the Organization of Insurance Activities in the Russian Federation", resulting in the revocation of an insurance license within the previous three years or (b) another financial organization whose license had been revoked within the previous three years.

**Introduction of Self-Regulatory Organizations and Procedure for Inclusion of Self-Regulatory Organizations, Unions and Associations on the FISS Register**

The Draft Insurance Law allows insurance companies, insurance brokers, insurance societies and insurance actuaries to create self-regulatory organizations (hereinafter "Insurance Organizations"). In addition the Draft Insurance Law sets out the procedure for the inclusion of unions, associations and Insurance Organizations on the FISS register. A list of members of each Insurance Organization and the identity of an elected head of the Insurance Organization must be provided to FISS, which would be required to make a decision on the inclusion of the Insurance Organization in the register within 15 days of receipt of such request. The Draft Insurance Law provides an incentive for insurance companies to form or become members of an Insurance Organizations since such organizations may confirm the compliance of certain changes in the activities of insurance companies with Russian law which would otherwise have to be approved by FISS *(please see the section titled "Control by FISS over the Current Activities of an Insurer" below)*.

The Draft Insurance Law specifies the grounds for exclusion from the FISS register, which would include, *inter alia*, discovery by FISS of violations of Russian laws by the Insurance Organization. FISS would discuss with representatives of the relevant Insurance Organization the circumstances behind any such discovered violations. An Insurance Organization included in the FISS register would be required to submit reports to FISS in accordance with Federal Law No. 7-FZ of January 12, 1996 "On Non-Profit Organizations".

**Licensing Insurance Activities**

The Draft Insurance Law sets out the documents required to be submitted to FISS by an applicant

seeking a license for insurance activities. These include additional documents confirming compliance of an applicant with the requirements of federal laws regulating mandatory insurance and the provision that all insurance companies must confirm the title (right to use under a lease (sublease)) to the building or separate non-residential premises where their management bodies (including those of their branches and representative offices) are located.

**Control by FISS over the Current Activities of an Insurer**

Pursuant to the Draft Insurance Law, changes by insurance companies to the regulation on formation of the level of insurance reserves, insurance terms and conditions, the calculation of insurance rates, or the structure of their rates would ordinarily need to be approved by FISS. However, a notification to FISS of such changes would be sufficient where a self-regulatory organization of at least 100 members confirms the compliance of such changes with Russian law. FISS would need to respond within 60 business days following receipt of an application for approval and inform the insurance company of its decision within five business days after the decision has been taken.

**Appointment of the Head and the Chief Accountant of an Insurance Company**

Under the Draft Insurance Law, neither the head of an insurance company (the sole executive body, their deputies, members of the collective executive body) nor its chief accountant or the head of its branch would be able take positions in other insurance companies or in companies affiliated with insurance companies. There is no definition of "affiliate" provided in the Draft Insurance Law, however the most commonly used definition of "affiliate" in Russian legislation is that set out in Article 4 of the RF Law No. 948-1, dated March 22, 1991 "On Competition and Limitation of Monopolistic Activity on Product Markets". This law defines an "affiliate" as an individual or legal entity which can influence the business activity of another individual or legal entity and includes, inter alia: companies belonging to the same group of companies; and companies who control more than 20% of the total number of the votes, granted by the shares or participation interests, in a company.

The insurance company would also need to obtain permission from FISS for the appointment of its head and the chief accountant. The Draft Insurance Law specifies the grounds for refusal which would include a failure to meet existing qualification requirements, previous crimes, administrative offences, failure to pay creditors and holding a similar head or chief accountant position at another insurance company or an affiliate of another insurance company, and certain other grounds.

**Refusal to Issue a License and New Requirements for the Founders of an Insurance Company**

The list of grounds for refusal to issue a license to an insurance company would be amended to include: (i) where the head or chief accountant fail to comply with the new requirements outlined above; or (ii) where the founders of the insurance company include bankrupt persons, persons who were previously responsible for an insurance company or other financial organization having become bankrupt in the previous three years, or persons who were responsible for a company having its insurance license revoked or cancelled in the previous year.

**Revocation of a License**

A decision on the revocation of a license could be taken by FISS without warning and without enforcement of sanctions against an insurance company such as the restriction or suspension of a license. Grounds for revocation would be expanded to include: (i) accounting or statistical reports with respect to the financial stability of the insurance company being inaccurately submitted to FISS several times, or the submission of incorrect figures about insurance company stability (i.e., where the actual figures are different by over three million rubles); or (ii) where the size of the charter capital does not comply with the provisions contained in the law.

**Date of Commencement**

The Draft Insurance Law was submitted to the State Duma on March 11, 2010 but has not yet passed any readings. New requirements regarding heads and chief accountants of insurance companies would be applicable to such persons appointed to their positions prior to the entry into force of the Draft Insurance Law. Such requirements would only be applicable at the expiry of a period of 120 days as of the date of the publication of the Draft Insurance Law.

It should be noted that as the Draft Insurance Law passes through the legislative process it may be amended and may enter into law in a different form, if indeed it does enter into law. We will monitor the Draft Insurance Law and will report on significant developments as they occur.

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## Corporate Law: Duma to Consider Amendments to the LLC Law and Further Amendments to the JSC Law Regarding Net Assets

by **Olga Watson** and **Svetlana Kuzovkova**

In our February 2010/First Quarter edition of *DechertOnPoint*, we analyzed the provisions of Federal Law No. 352-FZ "On Amending Several Legislative Acts..." related to creditors' rights and charter capital requirements with respect to joint stock companies ("JSCs"). Last month, a new draft law (the "Draft Corporate Law") was introduced to the RF State Duma, which proposes to extend such provisions to limited liability companies ("LLCs"). In addition, further amendments with respect to both Federal Law No. 14-FZ "On Limited Liability Companies", dated February 8, 1998 (as amended) and Federal Law No. 208-FZ "On Joint Stock Companies", dated December 26, 1995 (as amended) are proposed.

The Draft Corporate Law provides that the following provisions would apply to LLCs:

- if, at the end of the second or any subsequent financial year, an LLC's net assets are less than its charter capital, such LLC would be granted a cure period of one year in which it can attempt to increase the company's net assets (as opposed to the current LLC Law requirement to reduce its charter capital);

- if, at the end of the second or any subsequent financial year, an LLC's net assets are less than its charter capital, information on the value of the company's net assets would be required to be included in the LLC's annual report;

- if an LLC's net assets remain less than an LLC's charter capital, based on the results of the financial year following the second or any subsequent year which had ended with such LLC's net assets being less than its charter capital, the LLC would be required to, within six months of the end of such financial year, vote to reduce the charter capital to the level of its net assets or apply for its liquidation; and

- if an LLC's net assets remain less than its charter capital by more than 25% as of the end of three, six, nine or twelve months of the financial year following the second or any subsequent year which had ended with such LLC's net assets being less than its charter capital, the LLC would be obliged to publish twice (once per month) a notification (in a publication which publishes information on the status of legal entities) that its net assets are below its charter capital.

In the event of a reduction in the charter capital or the net assets of an LLC, the creditors of such LLC (who had rights of claim prior to the publication of information on the reduction of the charter capital/net assets) would be entitled to request the premature performance of such LLC's obligations within a 30-day period from the latest such publication, or if such premature performance is impossible, termination of the LLC's obligations and compensation for related losses. The Draft Corporate Law provides that in the event an LLC fails to comply with such a request, a creditor would have a six-month statute of limitations period to make a claim to the court to enforce such provision. However, if an LLC can prove that either the reduction of its charter capital or its net assets would not affect creditors' rights, or that the security provided for under a particular obligation would be sufficient, a court may dismiss the creditors' claims.

The Draft Corporate Law would also cancel the obligation of a JSC to submit information quarterly to the registration authority (which is currently the Tax Inspectorate) on the value of its net assets, for entry into the Unified State Register for Legal Entities. This was burdensome for some JSCs because, among other reasons, amending the Unified State Register for Legal Entities is time consuming and expensive. The Draft Corporate Law would replace such a requirement with the requirement for JSCs to prepare quarterly reports on the value of their net assets, which should be kept on file such that they may be reviewed upon the request of an interested party. The Draft Corporate Law also introduces a similar provision with respect to LLCs. This proposed requirement is aimed at

providing additional protection to creditors of JSCs and LLCs.

It should be noted that as the Draft Corporate Law passes through the legislative process it may be amended and may enter into law in a different form, if indeed it does enter into law.

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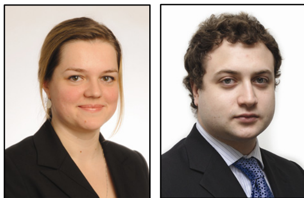
## Microfinance Comes to Russia



by **Olga Watson** and **Kirill Skopchevskiy**

For years, the Russian Government had steadfastly ignored the microfinance trend that has taken hold in a number of developing economies. Then the financial crisis of 2008-9 led to a near-paralysis of the credit market for small businesses in Russia. In the "Program Of Anti-Crisis Measures For The Year 2009" of 3 July 2009 the Russian Government responded by calling for the development of legislation regulating (and it hopes encouraging) "microfinancing". The program proposed that microfinance organizations should operate in the banking sector and financial services market where traditional banks are not currently active, and should provide short-term loans (mostly with a maturity of less than one year) to small businesses and individuals who do not have the necessary means to access the regular commercial and retail credit markets.

The Draft Federal Law "On Microfinancing Activities and Microfinancing Entities" (the "Draft Microfinance Law") was submitted by the Russian Government for the consideration of the State Duma on 15 April 2010. Microfinancing activity ("MFA") is defined as providing small loans of not more than one million Rubles (with a deflator index to be applied annually in the future). A "microfinancing entity" ("MFE") may be established in the form of a fund, an autonomous non-commercial organization, an agency (in Russian: учреждение) (excluding budgetary agencies), a non-commercial partnership, or a corporation (in Russian: хозяйственное общество или товарищество). The Draft Microfinance Law specifically excludes application to credit organizations (such as banks), real estate investment trusts, professional participants in the securities market (such as brokers and dealers), investment funds, management companies that are not professional securities market participants and private pension funds—all of these are licensed activities under Russian law, while no license is required to engage in MFA.

In order to be considered as an MFE, a legal entity must be included in the register of MFEs by a designated state body. A foreign legal entity is expressly permitted to set up a Russian legal entity that will subsequently be designated as an MFE. The candidate legal entity must provide in its charter that it is authorized to engage in MFA. An MFE may extend loans for general and specific purposes; where a loan is for a specific purpose, the MFE may exercise control over how the debtor spends the credited funds in which case the specifics of such control must be negotiated between the parties in a microfinancing contract on an individual basis.

MFEs are obliged to extend loans in accordance with their internal regulations which must contain the essential terms on which credit is to be made available to all applicants. These regulations must be publicly available to all potential clients of an MFE, including through publication on the internet. Importantly, the Draft Microfinance Law provides that the debtor has an affirmative right of early repayment of any loans extended to it by an MFE at any time upon giving 10-days prior notice and without having to pay penalties or other extra charges.

The Draft Microfinance Law imposes certain limitations on MFE operations, including a provision that an MFE may not act as a professional participant in the securities market, borrow funds from individuals where the amount of such loans are less than 1.5 million Rubles, provide loans in foreign currencies, or provide loans in amounts exceeding one million Rubles.

In practice, many MFEs are likely to be not-for-profit organizations, including various federal and municipal funds that support small business. It is also presumed that the Russian Government, acting through VEB, will provide funds and subsidies to microfinancing entities.

The Draft Microfinance Law is a step in the right direction and may be beneficial in stimulating the economy and retail lending. It will create common rules and standards for microfinancing activities and

will set up a system of government oversight and control over this activity, which is important for the protection of unsophisticated retail borrowers. However, in order to attract private investment into this market, we believe that the Government should propose additional incentives, such as tax preferences and state subsidies for MFEs, as well as providing for simplified reporting requirements.

It should be noted that as the Draft Microfinance Law passes through the legislative process it may be amended and be enacted in a different form, if indeed it is enacted. Given the political and economic need for such a law, however, it is likely to be enacted in some form in the near future.

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## Dechert Boosts Dispute Resolution Practice in Moscow with Significant New Hires

**Ivan Marisin**

We are pleased to announce that leading litigator and arbitrator Ivan Marisin is joining the firm as the head of its dispute resolution practice in Moscow. Mr. Marisin will lead Dechert's dispute resolution team in Russia, the CIS, and Eastern Europe. Prior to joining Dechert, Mr. Marisin was head of the litigation and arbitration practice of Clifford Chance's Moscow office, which he joined in 1992. Also joining the team is Counsel Vasily Kuznetsov, listed in *Chambers* as a "rising star," and associate Alexander Sidorov. Mr. Kuznetsov was previously counsel at Clifford Chance, which he joined in 2002, and Mr. Sidorov was previously an associate at Clifford Chance.

Mr. Marisin has represented domestic and international clients in more than 100 major litigations and arbitrations worldwide, and has acted for Russian and foreign clients on corporate, banking, and foreign investment matters over the last 20 years. His significant representations include: the Bank of New York Mellon before the City of Moscow Arbitrazh Court in a US$22.5 billion claim brought by the Federal Customs Service of the Russian Federation; Russian uranium seller Tenex in a US$1 billion arbitration venued in Stockholm over the delivery of nuclear materials, with a final award entirely in favor of Tenex; and Société Générale as agent together with the 10-bank syndicate prior to and in a default situation and insolvency regarding a US$1 billion loan to Yukos Oil Company secured over oil export receivables. His other notable clients include Gazprom, Gazpromexport, CSX World Terminals LLC, Syvazinvest, Rostelekom, Moscow Oil Refinery, and Erdenet.

Mr. Marisin, a native Russian speaker, is also fluent in English and German. Mr. Marisin is a member of the Moscow Bar and an accredited arbitrator at the ICAC, International Arbitral Center in Vienna, and other leading centers for arbitration. He has also advised on numerous commercial cases involving the recognition and enforcement in Russia of foreign judgments and awards.

Mr. Marisin is listed as a top-tier dispute resolution practitioner in Russia by *Chambers Global*, *Chambers Europe*, *PLC Which Lawyer?* and *The Legal 500 EMEA*. He is a graduate of Moscow State University (Russian Law Degree, with honors, 1986), the University of Vienna (Law and Economics, 1990), Frankfurt University (European Law, 1993), and the Harvard Business School Executive Program (2003).

## Honors

We are delighted to report that Dechert's Moscow office was listed in the 2010 edition of *The Legal 500 EMEA*, as a leading office in the category 'Corporate and M&A Moscow.' The survey also listed partners Laura Brank and Shane DeBeer as leading lawyers in this practice area, noting the client citations that "*Laura Brank provides 'excellent service as always'*" and "*Shane DeBeer is a 'strong negotiator.'*"

In addition, Laura Brank was recognized for corporate and M&A in Russia by *Best Lawyers* (2009), while Shane DeBeer was recognized for banking and finance, corporate, energy and natural resources, mergers and acquisitions, project finance and development, and real estate in the same publication.

## Recent/Upcoming Seminars and Speaking Engagements

February 17–19: Dechert sponsored Adam Smith Conferences' 15th annual CIS Metals Summit (incorporating the CIS Precious Metals Summit) at

the Moscow Marriott Grand Hotel. On February 17, Laura Brank gave a presentation titled ‘Promoting Foreign Investment in the Precious Metals Sector and achieving the Russian Government's goal of Increasing Foreign Investment in Russia – a Lawyer’s Perspective.’

March 4: Laura Brank, Shane DeBeer and Counsel Oxana Peters spoke at *Investing in Russia*, an event hosted by HypoVereinsbank in Munich. Laura Brank presented on the Strategic Sectors Law and improvements to Russian law since the economic crisis, Shane DeBeer on key issues to focus on in Russian acquisitions, and Oxana Peters on litigation strategies in Russia.

April 27: Dechert hosted in its Philadelphia office part of the Russian-American Pharmaceutical Conference organized by the Mid-Atlantic–Russia Business Council. Laura Brank gave a presentation titled ‘Investing in the Russian Pharmaceutical Sector – Key Legal Issues to Consider,’ which included an analysis of recent pharma-related legislation in Russia and Jim Lebovitz, a partner in Dechert’s Life Sciences practice, discussed Strategic Alliances in the Pharmaceutical Sector.

May 11–13: Dechert is sponsoring the Russia Strategic Leadership Infrastructure Forum at the Moscow Marriott Grand Hotel in Moscow. Laura Brank will be speaking on financing projects under the Russian Concession Law and the currently proposed amendments thereto, while Shane DeBeer will moderate a panel discussion on prominent and innovative energy projects in Russia.

May 26: Dechert is hosting a seminar titled ‘Top 10 Things to Consider When Investing in Russian Securities’ in its London office. Members of Dechert’s Corporate and Securities, Financial Services and Tax Practices, including Laura Brank, Evgenia Korotkova, Stuart Martin and Mark Stapleton, will provide practical advice on structuring and carrying out investments in Russia, taking into account changing regulatory requirements, tax considerations and shareholder rights. To register for the event, please visit http://www.dechert.com/seminars, or contact Carly Warwick on +44 (0) 20 7184 7674 or carly.warwick@dechert.com.

We welcome your feedback. Please let us know if there are any topics you would like to see covered in future issues.

If you or your colleagues would like to receive *Russian Legal Update* or our other *DechertOnPoints*, please contact Andrew Robinson (+7 499 922 1139; andrew.robinson@dechert.com) or Kieran Morgan (+44 20 7184 7853; kieran.morgan@dechert.com). You can also subscribe at www.dechert.com.

## Practice group contacts

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