Rules on Disclosure of Information on Beneficial Owners in Russia

Newsletter 18 September 2017

Russian legal entities are obliged to determine and store information about their beneficial owners (individuals who control more than 25% of the charter capital). At least once a year they shall update this information and fix it in documents. State authorities are allowed to request such information from the company. Failure to provide it may result in administrative fine of up to RUB 500 000.

On 31 July 2017, the Government of the Russian Federation issued regulation, setting out the procedure of reporting on beneficial owners. Legal entities may obtain such requests yet in early 2018, only after the Federal Tax Service and Federal Service for Financial Monitoring (Rosfinmonitoring) adopt their detailed rules on requesting the information. For more details on the new procedure see our new review.

Please also see our previous newsletter dated November 15, 2016 to find out, which companies fall under the requirements of *Federal Law No. 115-FZ dated August 7, 2001 "On Countering the Legalization of Illegal Earnings (Money Laundering) and the Financing of Terrorism"* (hereinafter – **Anti-Money Laundering Law**) related to providing information on beneficial owners, what kind of information will be requested, etc. and newsletter dated February 27, 2017 on ways to reduce risks of administrative liability.

1. WHAT DO THE NEW RULES PRESCRIBE?

The Anti-Money Laundering Law authorizes the **Federal Tax Service**, the Federal Service for Financial Monitoring (**Rosfinmonitoring**) and their territorial subdivisions to request information on company's beneficial owners and on the measures taken to identify them.

Although the Law does not provide for a special procedure, the lacuna was filled through adoption of the *Regulation No. 913 dated 31.07.2017* by the Government of the Russian Federation (hereinafter – **Regulation**).

Companies will be obliged to provide information on their beneficial owners after the Federal Tax Service and Rosfinmonitoring issue their legal acts supporting the Regulation, which is expected before 14 February 2018.

The appropriate authorities can request the data in electronic form or in hardcopy. The information on beneficial owners shall be provided within **5 days** from the date of the request.

The Federal Tax Service and Rosfinmonitoring can send request reg. information on beneficial owners in electronic form or in hardcopy. The company shall provide the answer within 5 days.

In case the data is requested in the electronic form, the company shall provide it:

- Through the telecommunication system in a message signed with an encrypted digital signature; OR
- Using a USB/disk with a cover letter in hard copy, signed by the head of the company or another authorized person.

Please note that under the rules the authorities can reject the message in case the USB/disk is defective or the message does not comply with the set format or there is no signature of the authorized person/encrypted digital signature. In this case, a company shall rectify the defects and resend the message in 3 days.

In case a company does not provide the requested data, it may face a fine in the amount of RUB 100 000 – 500 000. The company's executives may face a fine in the amount of RUB 30 000 – 40 000.

2. RECOMMENDATIONS

- The rules make providing information through the telecommunication system more convenient.
- Should your company fail to determine its beneficial owner, we recommend that a company send a written inquiry to its shareholders and keep its copy and the mailing confirmation together with the shareholders' replies.
- Until the respective legal acts, supporting the Regulation, are issued, it is recommended that the companies take measures necessary to identify the beneficial owners.

MOSGO & PARTNERS LAW FIRM

Tel.: +7 (495) 228 48 78
info@mosgolaw.com
www.mosgolaw.com

All newsletters of Mosgo & Partners are available on our website and LinkedIn.

This newsletter shall not be viewed as legal advice. It is prepared for educational and informational purposes only. Mosgo & Partners is not responsible for any consequences of reliance on the information contained in this newsletter without specific professional advice.

© Mosgo & Partners. Moscow, 2017.