The verification of information entered into the Unified State Register for Legal Entities (USRLE, “EGRUL”) by the Federal Tax Service, imposing additional liability for submission of unreliable information, registration of companies through straw men, new powers of the notaries and introduction of the two-step procedure for changing the legal entity’s address – these are only a few of the amendments introduced by Federal Law No. 67-FZ dated 30 March 2015 “On Amending Individual Legislative Acts of the Russian Federation As Regards Ensuring the Accuracy of Information Presented upon State Registration of Legal Entities and Individual Entrepreneurs” (the Law on Reliability of Registers).

Please see below a summary of these and certain other amendments in the legislation on the registration of legal entities, entering into full force and effect on 1 January 2016.

1. VERIFICATION OF INFORMATION IN THE USRLE

Starting from 2016, the registration authorities will be vested with powers to verify the information included in the USRLE during registration or already on the register.

This procedure is implemented pursuant to the new version of the Russian Civil Code (Article 51). In case of reasonable doubt regarding the reliability of the data being entered, as well as in case of filing of objections by interested parties concerning the forthcoming state registration, the registration authority may, in addition to the review of documents and requests for clarifications, inspect real property, obtain the necessary information memoranda and data, as well as engage specialists and experts to take part in the verification process.

The registration authority may make an entry on the inaccuracy of information on the legal entity, such as information on the address, location, full name of the CEO, founder or participant, etc. To make such an entry, it does not require an application of the legal entity or a judicial act.

Prior to making the entry, the registration authority shall send to the legal entity a notification of the necessity of filing of accurate information (the inaccuracy notification) within 30 days. Upon the expiry of this term, the authority shall make an entry on the inaccuracy of information on the legal entity into the register.
The law stipulates restrictions to be imposed on the participants of such legal entities: they may be denied registration as permanent executive bodies or participants in other legal entities. We also note that it is quite likely that in case an entry on the unreliability of information on the legal entity is made in the USRLE, the legal entity may face problems in its relations with counterparties, banks and state authorities.

If it is established that the information being entered in the register is inaccurate, the legal entity shall be denied registration.

2. LIABILITY FOR SUBMISSION OF UNRELIABLE INFORMATION FOR ENTRY INTO THE USRLE

Amendments have also been introduced in Article 14.25 of the Russian Administrative Offenses Code. Thus, failure to submit or submission of inaccurate information now entails administrative liability of officers in the form of a fine of 5 to 10 thousand roubles; or, in case such violations are repeated, or the false information is submitted knowingly, the officer may be disqualified for 1 to 3 years. Untimely submission of information for inclusion in the USRLE still incurs liability in the form of an administrative fine of 5 thousand roubles.

At the same time, the category of straw men envisaged in Article 173.1 of the Russian Criminal Code, has been made significantly broader to include not only the persons acting as participants or management bodies as a result of being mislead, but also the persons whose information is entered into the USRLE without their knowledge, as well as persons acting as the management bodies of the legal entity if they lack the purpose of management of the legal entity. Registration of a legal entity with a “nominee director” may incur a fine of 100 to 300 thousand roubles, or even stricter sanctions, including imprisonment for up to 3 years.

Article 173.2 of the Russian Criminal Code equally covers the “nominee directors” themselves: allowing to use one’s passport or issuing a power of attorney for entering information on straw men into the USRLE will be punishable by a fine of up to 300 thousand roubles, and corrective and compulsory community service. Please be reminded that previously, such actions were qualified as criminal offenses only if committed with the aim of perpetrating other crimes, related to financial operations or transactions with monetary funds or property.

3. LIAISING WITH NOTARIES

The functions of a notary public have been gradually expanded, as envisaged in the Civil Legislation Development Concept. Thus, an applicant may now officially request that the notary submit any documents for state registration. In this case, the documents confirming registration or the refusal of state registration shall be sent by the registration authority to the respective notary in electronic form. As a result of state registration, the applicant will be able to receive both the electronic document and a hard copy thereof from the notary, with the certification of their equal force.
When entering information on the transfer or pledge of a share in a limited liability company under a pledge agreement subject to mandatory notarization, in the USRLE, the notary (who certified the respective transaction) shall act as the applicant before the registration authority. At the same time, the amendments imply that the company may not address a different notary for submission of such an application to the USRLE.

4. PROCEDURE FOR CHANGING THE LOCATION OF A LEGAL ENTITY

The amendments have introduced a new procedure for the company to change its location. First, the documents shall be filed with the registration authority at the new location. Second, as a general rule, the procedure for changing the legal entity’s location will consist of two steps:

1. Submission of an application for the (purported) change of location to the USRLE within three days upon the respective decision. The information on the application shall be entered in the register.
2. State registration of the change in the location and address. This will be available within at least 20 days upon submission of the application for the (purported) change of location.

These new rules are believed to ensure that any person may timely learn about the counterparty’s moving to another region. However, registration of a legal entity at the residence of its General Director or an LLC participant with a share over 50% will be subject to the pre-existing procedure.

Please note that pursuant to the already effective updated version of the Russian Civil Code, the location of a legal entity means a settlement (a municipality). The charter does not necessarily have to specify the street, building, office and other details on the address – hence, if these change within the same settlement, no amendments in the charter will be required. However, information on the (full) address in the USRLE will still need to be updated.

5. TERM OF STATE REGISTRATION OF LEGAL ENTITIES DURING INCORPORATION

The forthcoming year will bring a rather welcome decrease in the length of state registration of legal entities during their incorporation – instead of the usual five business days the registration will take just three business days. At the same time, all other registration periods will remain without change.