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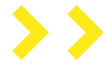


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2024: KEY ISSUES



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Dear readers,

We are pleased to present to your attention “Position Paper 2024: Key Issues”.

The past year was incredibly difficult, but the Association has proved its resilience. The unprecedented challenges and circumstances of 2022 continued to have a negative impact on the business landscape, but thanks to the accumulated experience and open communication channels, AEB was able to help businesses cope with problems and achieve tangible results. The Association continued to advocate for the interests of companies to the best of its ability, having organized over 300 Committee meetings and almost 200 meetings with public authorities. We are grateful to all AEB members for their trust and look forward to long-term and productive cooperation.

In this edition, we have focused on the most significant for the Association areas of activity, which experts from AEB member companies were actively engaged in over the past year and will continue to do so in 2024.

The articles contained in the publication are devoted to such topics as: current issues of global trade and customs regulation; major problems of parallel imports; important issues in the field of migration; changes in the tax “rules of the game” for foreign business in Russia; key trends in corporate and financial transactions; points of concern and emerging prospects in the field of intellectual property; expectations from regulatory changes in the personal data domain in 2024; competition and price regulation in trade; development strategy of the pharmaceutical industry; preserving the availability of high-tech medical services with the participation of foreign manufacturers of medical devices; problems of the insurance and pension markets; new rules, opportunities and risks in the recycling sector; promoting the sustainable development agenda; ensuring a balanced approach to imports of seeds and pesticides.

We would like to express our sincere appreciation to those who contributed to the edition (in alphabetical order): Artem Abaidullin (GARDIA); Maxim Akentyev (Roche Diagnostics); Hayk Aleksanyan (Stada); Anton Bankovskiy (SEAMLESS Legal); Yulia Belets (Carl Zeiss); Irina Belogurova (GARDIA); Artem Chipurko (Yusen Terminal Logopark); Galina Dontsova (Nextons); Alexandra Egorova (EPAM); Denis Ekushov (GARDIA); Ernesto Ferlenghi; Alexey Filipenkov (Visa Delight); Anna Firstova (Siemens Healthineers); Gyuzel Gerasimova (Yusen Logistics Rus); Olga Gorokhova (Alrud); Nina Goulis (Kept); Alexey Grigoriev (METRO Russia); Roman Ishmukhametov (Melling, Voitishkin & Partners); Denis Khabarov (Melling, Voitishkin & Partners); Andrey Kolesnikov (Teva); Yana Kotukhova (Servier); Anna Kuznetsova (Stada); Elena Kvarnikova (EPAM); Maya Limonnikova (Servier); Ksenia Litvinova (Pepeliaev Group); Artem Lukin (Canon Medical Systems); Olga Lukina (Karl Storz); Yuriy Manjilevskiy; Dmitry Maslov (Thuricum); Vladimir Mymrin (Denuo); Natalia Nesterova (Philips); Maria Ostashenko (Alrud); Anna Otkina (Denuo); Mikhail Pereverzev (Varian Medical Systems); Artem Podshibyakin (“New Fashion”); Galina Rezvan (GE HealthCare); Pavel Rudyakov (Samsung Electronics Rus); Pavel Sadovskiy (EPAM); Kazbek Sasiyev (Nextons); Ilyana Scherbakova (Denuo); Eva-Maria Shakhmaeva (Alrud); Wilhelmina Shavshina (B1); Ludmila Shiryayeva (B1); Ksenia Sizova (B1); Andrey Slepov (ADVANT Beiten); Karine Stepanyan (Roche); Capitolina Tourbina; Yulia Varlamova (Teva); Sergey Vasiliev (Denuo); Yuri Yakhin (Melling, Voitishkin & Partners); Vadim Zakharenko (IRU); Andrey Zharskiy (Alrud).

We hope that the articles collected in this publication will be useful for representatives of government authorities and the business community, members of the Association, as well as companies operating in Russia and considering the possibility of joining AEB.



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CURRENT ISSUES OF GLOBAL TRADE AND CUSTOMS REGULATION

DEVELOPMENT OF LAW ENFORCEMENT AND JUDICIAL PRACTICE ON THE INCLUSION IN THE CUSTOMS VALUE OF ROYALTIES ON PRODUCTION KNOW-HOW AND OTHER INTELLECTUAL PROPERTY OBJECTS FROM INDUSTRIAL COMPANIES

Today, many manufacturing companies are faced with the fact that customs authorities check the inclusion in the customs value of raw materials of royalties paid for such intellectual property objects as: production know-how, trademark (applied to finished products manufactured in Russia), software and databases, patents and many others.

The uniqueness of such inspections lies in the fact that customs authorities often check unbranded raw materials and components supplied both from the group's companies and from independent suppliers, establishing a correspondence between the payment of royalties and imports.

Moreover, such inspections are characterized by a very high efficiency: 98% in 2023.

Most customs authorities use the approach of including royalties in the customs value by proving compliance with two conditions for their inclusion: royalties are related to imported goods, and their payment is a condition for the delivery of goods. However, some customs authorities include royalties in the customs value as part of the revenue (income) received from the sale or other way of using imported goods. The difference in approaches is due to the lack of a clear methodology.

In the course of verification activities, the customs authorities request the share of imported raw materials in the cost structure (sometimes — the sale price of the goods). If companies fail to provide such information, the customs authorities include the full amounts of royalties.

It is important for companies to assess the risks of current or potential customs inspections. In addition to additional charges of customs duties and penalties, potential risks are bringing to responsibility and changing the category of the risk level of the company.

Along with the development of law enforcement, trends in judicial practice are also changing. The year 2023 is characterized by a reversal of court decisions to a greater extent in favour of the customs authorities.

With the current trends in the development of law enforcement and judicial practice on the issue discussed above, we believe that companies need to assess the risks of the licensing structure used in advance with the involvement of internal and specialized external lawyers, adapt it if they are identified and form a protective legal position on past periods before the start of control measures.

THE PROBLEM OF INCLUDING DIVIDENDS IN THE CUSTOMS VALUE OF GOODS

As a result of the change in the position of the Supreme Court of the Russian Federation (RF Supreme Court) in 2022 on the inclusion of dividends in the structure of the customs value of imported goods and the subsequent negative judicial practice for companies, in the last few months, foreign trade actors faced an unprecedented number of customs control measures on this issue, resulting in the assessment of large additional customs payments and the imposition of penalties in some cases.

As a legal basis, customs authorities use the provisions of Article 40(1)(3) of the EAEU Customs Code, which provides for the possibility of additionally adding to the cost of imported goods a part of the income (revenue) from their subsequent sale, which is directly or indirectly due to the seller.



Following the RF Supreme Court, the courts indicate that if the founders decide to pay the net profit received in connection with the sale of goods supplied by the founders of a Russian entity, and the declarant does not provide evidence confirming that the value of the transaction with imported goods corresponds to their actual value, including documents and information on export pricing, such net profit can be included in the customs value of imported goods.

All judicial acts made after the publication of the Russian Supreme Court's position have been adopted in favour of customs authorities. That said, the courts disregarded, or deemed to be insufficient, the evidence presented confirming that the parties' affiliation does not affect the transaction value.

In view of the current negative practice for declarants, in 2024 the trend of strengthening control over all importing companies that have paid dividends to foreign founders over the past 3 years, including manufacturing companies, is expected to continue.

Taking into account the above, companies need to conduct an early analysis of the risks of including dividends in the customs value of goods, in view of all types of activities of the company from which it receives profit, the possibility of confirming the absence of influence of the relationship of the parties on the value of the transaction, etc.

INTRODUCTIONS OF "FLEXIBLE" EXPORT CUSTOMS DUTIES

Starting October 1, 2023, export customs duties were introduced on a wide range of goods in accordance with the list¹ approved by Decree of the Government of the Russian Federation dated September 21, 2023 No. 15382. Duty rates depend on the exchange rate of the US dollar to the rouble and can range from 7% (at an exchange rate of more than 95 roubles per US dollar) to 0% (at an exchange rate of less than 80 roubles per US dollar).

The duty rate for the next calendar month is determined by the Ministry of Economic Development and is posted on the official website (<https://www.economy.gov.ru>).

Since its entry into force on October 1, 2023, Decree No. 1538 has raised a lot of questions among exporters, and therefore members of the AEB Customs and Transport Committee have prepared an appeal to the Government of the Russian Federation with a request to amend, clarify, cancel and/or correct some provisions of Decree No. 1538.

On January 5, 2024, Government Decree No. 2338 came into force, according to which changes were made to the Decrees establishing export duties on various types of goods (No. 2068, No. 276 and No. 1538). Thus, the list of goods that are subject to export customs duties has been significantly adjusted; position 2611 00 000 0 ("Tungsten ores and

concentrates") has been excluded; goods worth less than 200 euros are exempt from export duties.

We note that other amendments to Decree No. 1538 are expected. Thus, public discussion procedures have been completed as part of assessing the regulatory impact of the draft changes, which are expected to introduce an exemption from export customs duties on fish and fishery products exported in accordance with quotas.

ON USING NAVIGATION SEALS IN THE EAEU

The Agreement on using navigation seals for monitoring transport operations in the EAEU came into effect on April 3, 2023.

Transport and logistics companies express their concerns about the plans of the EAEU member states to apply navigation seals to all categories of goods, placed under the customs procedure of customs transit, including those transported in sealed compartments of road vehicles and containers in accordance with the TIR Convention, 1975, which goes against its fundamental provisions of mutual recognition of customs controls and exemption from examination at customs offices en route, as a general rule.

This initiative is perceived by businesses as a redundant additional control instrument, excessive administrative and financial burden, leading to increased costs of transported goods. According to the published tariffs, the cost of freight when using a navigation seal can go up to 20%.

Moreover, the use of navigation seals does not exempt from customs, transport, or any other types of control, nor improves road safety.

Meanwhile, the existing level of information exchange, forms and methods of control, international instruments provided by UN conventions and agreements on trade and transport facilitation allow EAEU member states for effective monitoring of the movement of goods and vehicles, including those in transit.

Proposed actions:

- › To include in the list of exemptions, i.e. goods and cases when tracking with the use of navigation seals is not applied, goods transported under TIR.
- › To establish a uniform minimum tariff for the services provided by operators of navigation seals for the entire itinerary across the territory of the EAEU.
- › To limit the set of data in the navigation seal to the minimum required by the Agreement and ensure that data is transmitted into the navigation seal directly from the information systems of customs authorities.

¹ The list of goods includes products of animal origin, cereals, some prepared foods, alcoholic and non-alcoholic drinks, mineral products, chemical products, textile materials, base metal products and many other goods.

JOINT OBLIGATION OF CUSTOMS REPRESENTATIVES

Since 2022, under the conditions of external sanctions restrictions, a trend has emerged towards the massive closure and leaving the Russian Federation of large foreign trade companies with foreign capital, which causes a number of problems. Customs representatives who carried out customs declaring on their behalf remain in a one-on-one situation with customs authorities as part of post-control. At the same time, they are limited in obtaining and using means of proof, as well as in the possibility of subsequent recovery of damages from declarants.

The current situation leads to a tendency to reduce the number of customs representatives. For the period from December 2021 to December 2022, 103 organizations were excluded from the register of customs representatives, and for the same period of 2022-2023 – already 122.

In connection with the emerging frightening trend, there is a growing need to liberalize customs legislation in terms of joint liability of the customs representative in accordance with current realities, for example, by amending paragraph 7 of Article 346 of Federal Law No. 289. The mentioned norm itself in 2018 became the first attempt to liberalize the customs legislation, but in its current version it creates a situation of legal uncertainty in which bona fide customs representatives formally have the right to obtain exemption from joint and several obligations, but in fact this possibility is

minimized due to the lack of clear legislative or enforcement criteria, which is confirmed by negative judicial practice.

It is worth noting that various “indulgences” of the joint liability of a customs representative are provided for by the customs legislation of the EAEU member states. For example, paragraph 2 of Article 313 of the Law of January 10, 2014 No. 129-Z “On Customs Regulation in the Republic of Belarus” allows the customs representative not to fulfill the joint obligation to pay customs duties after the liquidation (termination of activities) of the declarant. Paragraph 5 of Article 494 of the Law dated December 26, 2017 No. 123-VI “On customs regulation in the Republic of Kazakhstan” stipulates that the joint obligation of the customs representative is not fulfilled, in particular, in cases of revision of the customs value or code of goods previously confirmed by a customs official, as well as in the case of using knowingly false information or forged documents received from the declarant, on the basis of which the customs declaration was submitted, the fact of receipt of which, as well as the absence of guilt of the customs representative, is confirmed by a court decision.

To preserve and further develop the institution of customs representatives in the Russian Federation, it is vitally important to adopt working standards on exemption from joint and several duties of customs representatives in situations where the state has all the tools and capabilities to collect customs payments directly from a participant in foreign trade activities.



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MAIN PROBLEMATIC ISSUES OF PARALLEL IMPORTS



The year 2023 marked one year since the partial legalization of parallel imports had been introduced in Russia on a temporary basis. AEB's position on the risks associated with parallel imports has remained unchanged and supported by evidence, despite regular claims that such risks are not realized. Nevertheless, in a difficult economic environment, AEB members understand the need for parallel imports to stabilize the situation. At the same time, it should be noted that the movement of regulation and enforcement remains multidirectional, which creates additional threats to both businesses and consumers.

One of the key risks associated with allowing parallel imports is the growth of counterfeit goods in the country. After the introduction of parallel imports, the FCS of Russia made several statements¹ that it did not record the growth of such volume at border crossings, but in October at the "Anti-Counterfeiting" Forum the FCS of Russia expressed the position that in 2022 the volume of counterfeit goods had increased sharply, simultaneously with the introduction of parallel imports, but in 2023 the situation normalized². Thus, in 2023, imports of counterfeits are declining (3.3bn units in H1 2023 compared to 8.2bn units for 2022). However, according to other data, the FCS data partly ceased to reflect the situation with counterfeiting in Russia due to changes in logistics chains and redirection of product imports across the EAEU borders outside Russia. Thus, the EEC notes³ a sharp decline in the fixation of imports of counterfeit goods at the expense of Russia, while the Chamber of Accounts stated⁴ that the import of illegal products is now mainly from the EAEU countries. The growth of counterfeit products is also noted by market participants and industry associations.

AEB believes that such development is an inevitable consequence of both certain problems with law enforcement and circumvention of the existing rules by unscrupulous importers.

Indeed, main market players pointed out a number of uncertainties in the current regulation, namely the Government Decree No. 506 dated 29.03.2022 (hereinafter – the Decree) and the Order of the Ministry of Industry and Trade No. 1532 dated 19.04.2022 (hereinafter – Order No. 1532), which establishes the list of goods for parallel import, but called to fix the practice of strict implementation of at least those mechanisms, which were established before the partial legalization of parallel import, as they observed numerous cases of circumvention of the existing rules by unscrupulous importers, submission of false documents, import of products, which should not have been imported as parallel imports. Nevertheless, it was proposed to amend both the Decree and Order No. 1532, and in two directions: one of them provided for the transition from the formation of the list on the principle of the contained trademark to the principle of indicating the right holder, goods under whose trademarks can be imported without his consent, the other – to expand the list of objects of intellectual rights, in respect of which unauthorized import is allowed.

The first proposal, being widely discussed, encountered a number of objections related to the fact that right holders could be forced to refuse importation of some goods, but continue importing other categories. The second proposal was accepted, and as a result of the changes the Regulation was updated (Government Decree No. 1057 of 28.06.2023), and Order No. 1532 was replaced by a new document (Order No. 2701 of 21.07.2023).

¹ For example, "The FCS expects the volume of parallel imports in Russia to exceed USD 20 billion by the end of the year" (Interfax, December 19, 2022)

² FCS noted a sharp increase in the number of counterfeit goods in Russia (PRIME, October 6, 2023)

³ The EEC delegation took part in the "Anti-Counterfeiting" Forum (Public Council under the FCS of Russia, October 6, 2023)

⁴ "Almost 60 per cent of illegal tobacco is imported to Russia from EAEU countries" (Parliamentary newspaper, September 9, 2023)

It should be said that the new list still retains the division into product categories and trademarks. However, the order does not clarify, in particular:

- › How the importer, customs or the right holder should determine whether any intellectual property other than trademarks is used on the imported goods. It was probably intended that any intellectual property contained or concluded in the specified goods (or goods under the specified trademarks) would be authorized for use on the goods when imported.
- › How the same intellectual property objects, but contained or concluded in other, not listed, goods, should be treated.
- › Whether importers can import goods with such intellectual property if the trademark is removed from the goods.

Thus, new difficulties of law enforcement have been added to the previously identified difficulties.

It cannot be said that no measures are being taken. A number of clarifications have been issued on the inadmissibility of importing counterfeit goods and goods not included in the list of Order No. 2701 from the Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoz nadzor), the Ministry of Industry and Trade, and other agencies. The Ministry of Finance has proposed a draft decree of the Government to block in the Unified State Automated Information System (EGALS) alcoholic beverages that are not included in the list, but nevertheless enter the country using forged documents. AEB believes it is possible to extend this initiative to other product categories. Where there is no traceability of goods and no possibility of blocking them, it

makes sense to cancel forged certificates and declarations with penalties for their recipients. Counterfeit documents are an independent indicator of importer's bad faith, and it is the efforts of such persons that ensure the growth of counterfeit goods. Until effective measures are introduced, bona fide right holders are forced to appeal to the courts, and although the Association sees positive results from the analysis of judicial practice in this area, disputes require considerable time and money, which is clearly not in favour of the state of the Russian market, and in some cases threatens the life and health of consumers. It is also necessary to work with the EAEU countries, through the external borders of which fake goods enter the Russian market.

Although AEB considers parallel imports inevitable in the short term and predicts that it will be in effect in the near future with respect to certain commodity items, however, the Association believes that it is critical to switch to law enforcement that excludes the import of products that violate the exclusive rights of right holders bypassing the established mechanisms and entailing risks for the market, for consumers, for budgets of various levels. Otherwise, negative trends in this area will increase.



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CURRENT ISSUES IN THE FIELD OF MIGRATION



RESULTS OF THE AEB MIGRATION COMMITTEE WORK

Ongoing work has been underway to maintain the HQS category with the current benefits and advantages in the new migration concept. The Committee submitted a number of proposals to the draft law, which is now scheduled for consideration at the end of 2024.

Changes have been made to procedures and current legislation:

- ▶ HQS and their family members now undergo a medical examination once every 3 years when renewing the work permit.
- ▶ The list of medical examinations for minor HQS family members was reduced.
- ▶ It is now possible to submit medical documents within 30 days both after the decision to extend the work permit, as well as within 30 days from the moment of entry into the Russian Federation.
- ▶ The criteria for obtaining a “golden visa” for investors in the Russian economy have been defined together with the Ministry of Economic Development. The law provides for the issuance of a residence permit not only to a foreign citizen who has made an investment, but also to members of his/her family (spouses, children, children’s spouses, parents, parents’ spouses, grandparents, grandchildren). Such a residence permit is issued without obtaining a temporary residence permit first.

LEGISLATIVE ISSUES

1. The requirement stipulated in the current legislation to pay the HQS salary not less than 501,000 roubles per quarter, and from March 1, 2024 in the amount of not less than 750,000 thousand roubles – goes against the current labor legislation in cases when HQS is absent from work for a valid reason. According to the migration legislation, failure to pay the specified quarterly amount during illness, maternity leave, unpaid leave will be considered as the employer’s

failure to meet the requirements to pay the HQS the established salary and will result in fines and punishment in the form of deprivation of the ability to engage the HQS for two years.

PROPOSAL:

In order to resolve this issue related to the conflict of migration, labor and tax law, it is necessary to develop special, more flexible approaches and fix them in the current legislation.

2. There is no clear definition in the legislation of how to pay the HQS salary for the first quarter of the year.

According to the amendments, the end-of-quarter payment of HQS should amount to RUB 750,000, although the new requirement comes into force on March 1, 2024. According to the position of the Ministry of Internal Affairs, which is supported by the Ministry of Economic Development, the payment requirement for the end of the first quarter of 2024 should be fully met. The written confirmation from the Ministry of Internal Affairs is requested in this respect.

RECOMMENDATION:

To review the existing amendments to the legislation and choose the best option for the company in order to avoid violation of the new requirements: whether it will be a salary increase as of January 1, 2024, or a difference payment with further revision of the salary level according to the law.

3. Due to the changes coming into force on January 7, 2024 (paragraphs 15 and 18.1 of Article 13.2 of Law No. 115-FZ), HQS must apply for a work permit within 30 calendar days from the date of the decision of the Ministry of Internal Affairs to issue or extend a work permit. This period may be extended for no more than 30 calendar days if there are valid reasons and a corresponding request from the employer.

In practice, the stipulated deadline for applying for a ready work permit is sometimes impossible to meet, as the foreign citizen and his employer need to:

- › apply for an invitation, which takes 14 working days;
- › obtain a work visa from a foreign consulate (up to 15 days);
- › enter Russia (may take several days);
- › pass migration enrollment (may take time – depending on the availability of free time slots to register with the Ministry of Internal Affairs at mos.ru to submit a notification); and undergo a medical examination (passing the examination and obtaining medical certificates takes up to 12 days);
- › be photographed and fingerprinted (1 day).

Therefore, it can be argued that sometimes in practice HQS lacks the allotted 30 calendar days to obtain a work permit.

The requirement to obtain a work permit within 30 calendar days from the date of the Ministry of Internal Affairs' decision to *extend it* would contradict another provision of Law No. 115-FZ, which establishes a time limit for a repeated medical examination and submission of medical documents to the Ministry of Internal Affairs (see Article 5, Paragraph 3, Item 19). This norm stipulates that the deadline for the medical examination and submission of medical documents to the Ministry of Internal Affairs is 30 calendar days from the date of the decision to extend the validity of the work permit or from the date of entry of the HQS into Russia (if expatriate was outside Russia on the date of the decision).

PROPOSAL:

It is necessary to correlate these deadlines in the legislation so that a HQS can obtain a work permit either within 30 days from the date of the decision to extend the work permit or within 30 days from the date of entry into Russia (in case he/she is abroad).

As it is becoming increasingly important for HQS to have information on the date of the Ministry of Internal Affairs' decision to issue or extend a work permit, the Committee suggests that an official procedure be established for notifying HQS on that date, for example through a personal account on the Gosuslugi website. According to the Ministry of Internal Affairs, the relevant amendments to its Regulation No. 541 dated August 1, 2020 are currently being prepared.

4. From 2024, HQS will be entitled to an indefinite residence permit (IRP) which is not tied to HQS status. This will be possible if three conditions are met:

- › At least 2 years of work in the Russian Federation in the status of HQS.
- › Before applying for an indefinite residence permit – the obligation to reside in the Russian Federation on the basis of a residence permit tied to the period of validity of the HQS work permit, but not less than two years.
- › Proper payment of taxes and charges during the specified two-year period of HQS work.

RECOMMENDATION:

To ensure compliance with the established requirements for obtaining an indefinite residence permit for HQS.

5. Issues raised by the new Federal Law on Citizenship

On October 26, 2023 Federal Law No. 138-FZ "On Citizenship of the Russian Federation" of 28.04.2023 came into force, replacing the previous Law No. 62-FZ "On Citizenship of the Russian Federation" which corrects the procedure for filing notifications by Russian citizens on obtaining a foreign residence permit or citizenship.



As it is becoming increasingly important for HQS to have information on the date of the Ministry of Internal Affairs' decision to issue or extend a work permit, the AEB Migration Committee suggests that an official procedure be established for notifying HQS on that date, for example through a personal account on the Gosuslugi website.



What has changed in the procedure for submitting notifications:

- › The right to notify through the Ministry of Foreign Affairs (MFA) departments abroad has appeared; at the same time this notification replaces the notification to the Ministry of Internal Affairs (MIA).
- › The deadline for notification submission to the MIA upon the date of arrival to Russia has been extended from 30 to 60 calendar days.
- › The provision of sending the notification by Russian Post was removed from the law.
- › Paper notifications can be submitted directly to the Main Department of Internal Affairs of the Ministry of Internal Affairs of Russia, to the migration department of the territorial body of the Ministry of Internal Affairs of Russia at the regional or district level in the residence place of the applicant. It's possible to supply a notification on paper or in electronic form via the Gosuslugi portal.

New forms of notifications and lists of annexes to notifications are established by Presidential Decree No. 889 of November 22, 2023.

The main content of the new law repeats the previous one, but the following changes were made in the new version:

- › The fact of being married to a Russian citizen for more than three years, working for one year in a specialty from

the list of the Ministry of Labor, persons who are native speakers of the Russian language (SRL), foreign citizens who invested in the Russian economy were removed from the grounds for acquiring citizenship.

- › The list of grounds for acquiring Russian citizenship by birth was extended.
- › The fact of residence on the territory of the RSFSR (and not only the fact of birth) and a "red diploma" from a Russian university were added to the grounds for acquiring citizenship.
- › Citizens of the Russian Federation may be recognized those who have served in the Russian Armed Forces, Russian ministries and departments, servicemen and cadets who have sworn allegiance to the USSR or the Russian Federation and who, as of February 6, 1992, were serving in military units under the jurisdiction of the Russian Federation located on the territories of other states.

From 2024, new forms (new editions) of various applications, petitions and notifications used in connection with the performance of labor activities by foreign citizens in Russia will be established.

The AEB Migration Committee continues to monitor changes in migration legislation and practice and inform members of changes in a timely manner.



FOREIGN BUSINESS IN RUSSIA: CHANGING TAX 'RULES OF THE GAME'



In 2023, a number of laws were adopted in the field of tax that significantly affect the burden on the business in 2023 and in subsequent periods. Individual changes, such as the introduction of tax on excess profit will equally affect

companies with both Russian and foreign capital. Other changes will mostly affect tax positions of companies with foreign capital that have contractual relationships with foreign related persons.

For instance, the suspension of individual provisions of double tax treaties with European countries has already resulted in a considerably higher tax burden on the payment of dividends, interest and royalties to foreign companies. Together with the current permission-based pay-out procedure, primarily with respect to dividends, these developments significantly reduce the potential for business to be maintained and developed in Russia. Disappointingly, the measures that have been recently taken to ease the aftermath of suspension of double tax treaties are of a limited nature and do not extend to transactions with related persons, which may result in the slowing down or suspension of investments (including investments in technology in the form of patents, licences, software, etc.) and the transfer of state-of-the-art practices.

The introduction of a 15% foreign income tax on payments under any service/work contracts concluded with a related foreign company may become a barrier to the provision of intragroup services necessary for the normal functioning of a Russian company's business (provision of software, consulting services, etc.), while an increase in the price of such services to offset the additional tax burden will lead to the risk of transfer price revision. Raising the price of such services to even out the additional tax burden will result in the risk of transfer prices being reconsidered.

In turn, the considerable changes to the procedure for regulating transfer prices that are coming into force in 2024 were not expansively discussed in advance with the professional community, although in many ways they considerably alter the current approaches to the standards of proving whether prices conform to the market level, whether liability has been established and the amount of it, and standards for keeping documents.

For instance, when the Russian Federal Tax Service adjusts the prices (income) under controlled transactions between related persons, the income of the person in the amount of such an adjustment will be deemed equal to dividends only with respect to the foreign recipient, regardless of whether it has corporate control in relation to the Russian taxpayer. In a

similar way the approach to holding persons liable for having understated a tax amount due for payment as a result of non-market prices being applied and to the possibility of exempting such persons from liability will be different depending on the nature of the performed transaction (i.e. whether it is a domestic or a cross-border transaction). If the taxpayer has documentation confirming that the prices of transactions it has performed are at the market level, it may avoid liability only with respect to a transaction performed at the domestic Russian level. Further, the amount of the fine imposed when claims are made against a cross-border transaction is several times higher than the amount of the fine for a similar offence in a domestic Russian transaction.

At the same time, the tools that are provided for in the Tax Code for revising prices during tax control based on the median value of the range result in a higher tax burden on the taxpayer (in contrast to comparable companies), because essentially the additional assessments on the difference between the median and lowest (highest) value of the range will relate to the market level of prices (profitability).

The above shows that there is a disproportionate increase in the tax burden on cross-border transactions, primarily, on foreign groups that operate in Russia and have a large number of intra-group transactions. This may become an impediment to further operations of companies that are actively working in Russia despite the current situation or that are planning to enter the Russian market.

Unfortunately, from the tax perspective, including in the context of increasing the tax burden on cross-border transactions, so far we are seeing that no distinction is being made between foreign companies that continue working on the Russian market, maintain jobs and are ready to increase the scope of production, and companies that have announced they are leaving the market or suspended their operations. Such an approach may discourage foreign businesses that are ready to work in Russia and precludes additional development on their part.



The introduction of a 15% foreign income tax on payments under any service/work contracts concluded with a related foreign company may become a barrier to the provision of intragroup services necessary for the normal functioning of a Russian company's business (provision of software, consulting services, etc.), while an increase in the price of such services to offset the additional tax burden will lead to the risk of transfer price revision.



CORPORATE AND FINANCIAL TRANSACTIONS: KEY CHANGES AND TRENDS

Special economic measures introduced in 2022 due to “unfriendly” actions of certain foreign states against the Russian Federation and Russian legal entities and individuals continue to apply in 2023. Some of the regulation, in particular, procedures and regulation of foreign exchange, counter-sanctions approval of transactions and financial operations between Russian companies and persons from “unfriendly” countries (including their controlled persons) saw some development, tightening up and clarification.

AMENDMENT OF THE CORPORATE TRANSACTIONS APPROVAL PROCEDURE

The transactions aimed directly or indirectly at disposal of shares/participatory interests in Russian legal entities, entered into with persons of “unfriendly” foreign states are subject to approval in accordance with several decrees of the Russian President (Nos. 81, 138, 520, 618 and 737). Besides, payments in favour of “unfriendly” participants/shareholders in case of charter capital decrease are also restricted, as this entails change of the par value and/or amount of the interest held by the “unfriendly” person. Making such payment, including transfer of monetary amounts as well as transfer of assets after the liquidation of a Russian company without crediting funds to a type “C” account, also requires approval pursuant to Decree of the Russian President No. 737 (provided it exceeds the threshold of 10 million roubles).

The approval procedure has the following general outline. One of the parties to the transaction applies for an approval to the “industry-specific” federal executive authority (the list is limited to eleven authorities) in charge of the area of the target activity.

The respective authority considers the application, prepares its position, and submits the case to the Russian Ministry of Finance. It should be noted that the procedure of internal consideration differs not only from ministry to ministry, but even from department to department of the same ministry and may include sending request for additional documents and information, holding meetings with the transaction parties, and requesting position of the regional authorities and third-party stakeholders.

The Russian Ministry of Finance considers the application and submits it to the Sub-Commission of the Government Commission for Control over Foreign Investments (the “Sub-Commission”) that holds a meeting to adopt a decision regarding the transaction and sets the requirements for it. It should be noted that the Sub-Commission is not restricted by the relevant ministry’s position: it has wide discretion in making its decisions and is entitled to set the requirements for the transaction as it considers proper.

The extract from the Sub-Commission decision No. 171/5 and the extract from the minutes of the Sub-Commission meeting No. 193/4 set the following requirements for approving the transactions with the legal entities’ shares (participatory interests).

The applicant must present a report on independent evaluation of the assets market value made by an appraiser from the list of appraisers recommended by the Sub-Commission, and an expert report to the said evaluation prepared by an expert from the self-regulating appraisers organization.

The applicant also has to transfer to the federal budget a contribution in amount equal to at least 15% of the market value of the respective assets. This requirement applies to all transactions, regardless of the discount rate at which the assets are sold (earlier, the contribution was set at 10% of half of the assets market value, providing the sale discount did not exceed 90%).

There is also a general recommendation to make payments under the transactions (operations) to foreign accounts (regardless of the account currency) in installments. The final schedule of payments is established by the Sub-Commission, taking into account the position of the Bank of Russia.

Besides, for a transaction with the legal entity shares (participatory interests) to be approved, certain key performance indicators of the buyers and (or) the target company should be determined, including, for example, preserving technological capabilities and the main type of economic activity of the entity, preserving jobs, and fulfillment of obligations under contracts with other legal entities. Besides, the goods (works, services) sales volumes, the amount of tax and duties payable, average number of employees, and the volume of the prospective investments are also used as performance indicators.

LIABILITY FOR NON-COMPLIANCE WITH THE COUNTER-SANCTIONS PROCEDURES

The current legislation contains no special provisions establishing liability for non-compliance with the procedure stipulated by the counter-sanctions decrees, but the Russian Ministry of Finance made a draft bill adding to the Russian Code of Administrative Offences Art. 15.25.1 establishing liability for completing transactions in breach of the counter-sanctions restrictions.

At present, under the general civil law provisions, a transaction with shares/participatory interests concluded without the Sub-Commission approval may be held invalid (Art. 10. Art. 168 of the Russian Civil Code). In particular, starting from October 2022 the prosecutors were given the powers to initiate and participate in judicial proceedings regarding transactions concluded in breach of the counter-sanctions restrictions.

Another form of liability for closing a corporate transaction without approval may be that the foreign shareholders (participants) of Russian companies may be deprived of the right to vote in the management bodies of these companies (this is directly provided by Presidential Decree No. 520). It also should be taken into account that in practice both making payments through Russian banks and registering the transfer of title to the shares/participatory interests in Russian companies would be impossible, as Russian banks and notaries/registrars require the Sub-Commission approval for performing such operations.

NEW REQUIREMENTS FOR APPROVAL OF PAYMENT OF DIVIDENDS TO "UNFRIENDLY" NON-RESIDENTS

The extract from Sub-Commission decision No. 171/5 dated July 7, 2023 sets the following requirements for obtaining an approval for payment of dividends to foreign creditors if the amount thereof exceeds 10 million roubles per calendar month: (1) the amount of dividend paid does not exceed 50% of the net profit for the previous year; (2) the results of retrospective analysis of paid dividends for the previous years should be taken into account; (3) whether the participants (shareholders) being foreign creditors are committed to continuing business activity in the Russian territory; (4) the positions of the federal executive authorities and the Bank of Russia regarding the importance of the entity's activity and its influence on the technological and industrial sovereignty and socio-economic development of the Russian Federation (its constituent entities); (5) compliance of the applicants with their KPI obligations confirmed by the federal authorities (the Bank of Russia); (6) capability to pay quarterly dividends providing the set KPIs are met.

In the course of the retrospective analysis the Sub-Commission takes into the account the amounts and regularity of payments for the previous periods. In case the company never paid any dividends earlier and accumulated the significant amount of non-distributed funds, the payment in question may be regarded as a withdrawal of funds of Russia, thus reducing the chances of obtaining the Sub-Commission approval.

That being said, the payment of dividends to the foreign creditors may be allowed in absence of the abovementioned requirements, providing the amount of dividends to be paid does not exceed the amount of investments in Russia. Here, the investments made by the foreign creditors to the Russian economy since April 1, 2023 are taken into account, including expansion of production volumes in Russia and development of new technologies.

INTERIM ADMINISTRATION

Presidential Decree No. 302 established the possibility of introducing temporary management in respect of Russian assets of foreign "unfriendly" companies, in response to deprivation of Russian persons of the right of ownership of property located in the territories of foreign "unfriendly" states, or a threat to the national, economic, energy or other types of security of the Russian Federation, its defense capability. The interim administration is carried out by Rosimushchestvo, that exercises the owner's authorities (except for disposal) and appoints the new sole executive body and the members of the board of directors. Interim administration is introduced for an unlimited term and is terminated by a new order of the Russian President.



The list of assets (property, securities, participatory interests) falling under interim administration is also set by the above-mentioned Decree and is extended from time to time. At present, interim administration is carried out in respect of several major companies significantly influencing the Russian economy in their respective areas. At first, in April 2023, interim management was introduced in respect of two energy sector participants: Unipro and Fortum. In addition to them, on July 16, 2023 Danone and Baltica (Carlsberg) were also included in the list.

Introduction of the interim management mechanism and the possibility of it being applied to all foreign assets of “unfriendly” non-residents without any particular criteria creates significant additional risks affecting the activity of foreign companies in Russia.

FINANCIAL TRANSACTIONS: CONTINUED EXISTENCE AND ELABORATION OF RESTRICTIONS

Restrictions on granting and repaying loans to foreign creditors continue to apply. In particular, it is prohibited to perform the following operations without a special approval:

- Foreign currency operations related to providing loans in foreign currency to both “unfriendly” and “friendly” non-residents. Up to the end of September, the general permission for providing foreign currency loans to “friendly” non-residents was in place, but despite its multiple extensions in the past, it was not extended as of November 28, 2023.

- Transactions related to granting loans in roubles to “unfriendly” non-residents.
- Performing obligations under loans in favour of “unfriendly” non-residents. The amounts under such obligations, providing they exceed 10 million roubles per month, should be paid to a special type ‘C’ account opened by the debtor in the name of creditor in a Russian bank (meanwhile the procedure implies no participation from the foreign creditor).

The regime of these accounts significantly limits the available operations with funds. The allowed operations include transferring funds to other type ‘C’ accounts, payment of the debtor’s own taxes and duties in Russia, acquisition of federal loan bonds in auctions, and several more specific operations. It should be noted that presently it is not allowed to transfer money from a type ‘C’ account to ordinary accounts, including with an approval of any kind.

In November 2023 Decree of the Russian President No. 844 was issued, that allowed exchanging funds held in the type ‘C’ accounts for blocked foreign securities held by Russian residents, but the total amount of such exchange is limited to 100 thousand roubles, and the exact procedure is yet to be established.

In 2023 the Bank of Russia issued several non-public clarifications as part of application of counter-sanctions measures. According to these clarifications, performing set-offs under loans or other claims (e.g. payment of dividends) with participation of “unfriendly” non-residents, in case payment under such obligations would be subject to counter-sanctions restrictions (i.e. the amounts are to be paid to a type ‘C’ account), constitutes violation of counter-sanctions restrictions, and thus is not allowed.



In 2023 the Bank of Russia issued several non-public clarifications as part of application of counter-sanctions measures. According to these clarifications, performing set-offs under loans or other claims with participation of “unfriendly” non-residents, in case payment under such obligations would be subject to counter-sanctions restrictions, constitutes violation of counter-sanctions restrictions, and thus is not allowed.



INTELLECTUAL PROPERTY: POINTS OF CONCERN AND EMERGING OPPORTUNITIES

From the perspective of intellectual property rights regulation in Russia, the year 2023 was dedicated to addressing a number of strategic, fundamental issues of legislative regulation and enforcement in this area.

As in 2022, there were ongoing disputes and discussions on issues related to compulsory licensing and non-contractual use of foreign intellectual property (especially computer programs and movies) in 2023.

INCLUSION OF GEOGRAPHICAL INDICATIONS IN TROIS

On March 6, 2023 amendments to Federal Law No. 289 dated August 3, 2018 "On Customs Regulation in the Russian Federation and on Amendments to Certain Legislative Acts of the Russian Federation" (hereinafter – the Law) entered into force.

The amendments provide for the possibility to include geographical indications in the Customs Register of Intellectual Property Objects (hereinafter – TROIS) at the request of the right holder.

Inclusion of intellectual property objects in TROIS has long been one of the effective ways for right holders to control the importation of goods containing the relevant objects into the territory of Russia, as well as to combat counterfeiting.

Before the amendments came into force, only objects of copyright and related rights, trademarks and appellations of origin of goods could be included in TROIS.

However, due to the emergence of geographical indication as an intellectual property object in Russian legislation in 2019, the logical continuation of the development of legislation was to provide for the possibility of including geographical indication in TROIS to control the importation of goods containing geographical indication.

REDUCTION IN THE NUMBER OF DOCUMENTS AND TERMS FOR THE PROVISION OF STATE SERVICES BY ROSPATENT

Rospatent has reduced the terms and the number of required documents for obtaining 11 state services.

The services include, among others: registration of intellectual property objects, and disposition of the exclusive right under a contract and transfer of the exclusive right without a contract.

Thus, the average term of registration of the disposition of the exclusive right under the contract has been reduced almost 3 times and amounts to 26 working days.

This effect is achieved, among other things, due to the transition to interactive forms of data collection, reduction of administrative procedures, improvement of interdepartmental interaction, as well as simplified authorization and authentication processes.

In our opinion, easing the process of intellectual property registration may increase the motivation for intellectual property protection in Russia.



ISSUES OF COMPULSORY LICENSING OF COPYRIGHT AND RELATED RIGHTS

The issue of compulsory licensing and other mechanisms for the use of foreign intellectual property has been raised more than once in 2023.

Thus, in May 2023, open sources discussed the development of a draft law proposing not to protect the rights of authors of foreign films from so-called “unfriendly” countries until 2025 (for example, not to prosecute them for illegally showing the film in a theater).

This initiative was not discussed further and, to our knowledge, the bill was never submitted to the State Duma.

In June 2023, representatives of the Ministry of Digital Media of the Russian Federation told about the preparation of a bill on the procedure for using unlicensed (pirated) foreign software. The initiative envisioned the introduction of financial deductions for the use of software from foreign vendors who left Russia.

According to the Ministry, the mechanism of deductions could become one of the drivers of growth of import substitution of foreign software: if the use of foreign software without a license is expensive for business, it will switch to domestic software.

In our opinion, this issue is quite sensitive, and one should be cautious in proposing such initiatives. This is due to the fact that the institution of compulsory licensing, as well as other mechanisms of uncoordinated use of someone else’s intellectual property, are extraordinary tools to influence the exclusive rights of the owner of intellectual property and in the world practice has a very limited range of application.

Compulsory licensing of copyright and related rights objects is recognized by a small number of national legal orders and, as a rule, does not meet the world standards of legal protection of intellectual property objects.

PROTECTION OF COMPOSITE AND DERIVATIVE WORKS

On June 13, 2023 Clause 4 of Article 1260 of the Civil Code of the Russian Federation was amended, according to which in case of unlawful use of a derivative or composite work, both the copyright of the translator, compiler and other author of the derivative or composite work and the rights of the authors of the works on which the derivative or composite work is based shall be protected.

This means that the rights of the authors of derivative and composite works are protected regardless of the legal purity of the works themselves.

Changes in the legislation were required in connection with the Constitutional Court’s Decision No. 25-P. According to this ruling, paragraph 3 of Art. 1260 of the Civil Code of the Russian Federation was recognized as inconsistent with the Constitution of the Russian Federation. At the same time, the Constitutional Court concluded that it was necessary to amend the current legal regulation.

In order to implement the decision of the Constitutional Court, the legislation was amended to ensure a balance between the rights of the author of a composite or derivative work on the one hand and the rights of the authors of the objects used to create the composite or derivative work, without excluding the protection of the property interests of the author of the composite or derivative work.

Thus, the amendments to Article 1260 of the Civil Code of the Russian Federation were adopted in order to form a unified approach to the issue of protection of intellectual rights, according to which copyright in a derivative or composite work (as in the case of any other work) arises at the moment of its creation and should enjoy legal protection from the moment of its emergence.

MITIGATING THE QUALIFICATION OF INTELLECTUAL PROPERTY OFFENSES

The 2023 initiatives also include two draft laws that raise the threshold of damage required to qualify violations of copyright and related rights and trademark rights as crimes.

For copyright and related rights, the threshold is set at 500,000 roubles for major damage and 1.5 million roubles for especially major damage. For trademark infringement, the amount of damage is increased to 400,000 roubles.

These proposals are made taking into account the growth of inflation in the market, and also follow the trend towards liberalization of liability for economic crimes.

On the one hand, taking into account the current economic situation, the new qualifying characteristics will more fairly reflect the potential harm from the acts to qualify them as crimes. On the other hand, it will increase the costs for right holders to defend their rights in criminal proceedings, as well as simplify small-scale activities for the sale of counterfeit goods.

ALLOCATION OF A SHARE IN AN EXCLUSIVE RIGHT

In recent years, intellectual property as an asset of companies, as well as the subject of many transactions, has played an increasing role. Given this economic importance, the legislator has supplemented the laws with provisions allowing the use of an increasing number of instruments in connection with intellectual property (e.g. registration of pledges of registered software).

One of the new proposals is to allow the allocation of shares in the exclusive right to intellectual property. This approach will allow to “split” the right to the object, which will create opportunities to attract additional financing, providing all interested parties to receive a share in the exclusive right, and therefore additional control in the project.

This is certainly a positive initiative that expands the arsenal of tools for intellectual property transactions.

REGISTRATION OF TRADEMARKS BY INDIVIDUALS

On June 29, 2023 legislative changes came into force, according to which the opportunity to register trademarks was granted to individuals, including self-employed and foreign citizens doing business in the Russian Federation.

Previously, only legal entities and individual entrepreneurs could apply for trademark registration. In our opinion, the

innovation may favourably affect the development of a competitive market and support small business in the Russian Federation, as individuals acquire an additional opportunity to promote their brands.

RECOMMENDATIONS

The AEB Intellectual Property Committee believes that most of the above changes in regulation and enforcement have a positive impact on the ability of Russian and foreign companies to use and protect their intellectual property.

Separately, the Committee notes that caution should be exercised in relation to the possible introduction of new mechanisms for compulsory licensing of copyright and related rights and other legislative initiatives aimed at restricting the freedom of disposal of intellectual property rights, including the creation of inequalities between Russian and foreign right holders.



PERSONAL DATA: WHAT TO EXPECT FROM REGULATORY CHANGES IN 2024

LIABILITY FOR PERSONAL DATA LEAKAGE

Many concerns on the market are associated with the planned radical tightening of liability for personal data leaks.

In 2022-2023 the maximum fine on a company for a major leak of personal data did not exceed RUB 100,000.

But in 2024, at the request of the Russian President, it is expected that turnover fines shall be established in relation to companies that repeatedly allow leaks of personal data databases. The bill in this respect was submitted to the State Duma on December 4, 2023 (<https://sozd.duma.gov.ru/bill/502104-8>).



The bill establishes liability for database leaks (containing data of 1000 data subjects and more): 1) a fixed fine for a company for the initial incident (from RUB 3,000,000) and 2) a turnover fine (from 0.1% of amount of annual revenue of a company, but not exceeding RUB 500 million) for a repeated incident. It is also proposed to establish mitigating and aggravating factors that shall be considered while determining the amount of the fine.

An aggravating factor shall be a repeated administrative offense in a form of failure to notify Roskomnadzor on the leak (the initial notification must be sent electronically within 24 hours from the moment the incident was detected). Also, failure to notify on the leak is a separate administrative offense itself – it is proposed to impose a fine for it in the amount of at least RUB 1,000,000.

However, it is important to note that as of the date of publication of this material the bill has not yet been adopted in the second reading. Therefore, the contents of the bill may change significantly.

LOCALIZATION OF PERSONAL DATA DATABASES: TRENDS IN LAW ENFORCEMENT PRACTICE

Operators are required to collect and process (including correct and supplement) personal data (PD) of Russian citizens in databases located in Russia. In case the operator also plans to process such data in databases on a foreign server, then their collection as well as changes must be first made in the Russian database.

Even before the introduction of the extraterritoriality principle (introduced on March 1, 2023), a practice began to form when both the regulator (Roskomnadzor) and the court applied the Law on Personal Data to foreign operators, including those who do not have their presence in Russia, if Russian citizens had the opportunity to register on the Internet service of such an operator. In fact the previously existing position of the Ministry of Digital Development, Communications and Mass Communications of the Russian Federation (formerly the Ministry of Telecom and Mass Communications of the Russian Federation), that the Law on PD applies to foreign operators if their activities are directed to the territory of Russia, has become invalid.

With the beginning of extraterritorial application of the Law on PD, this trend has intensified. Thus, the American company United Parcel Service was brought to administrative liability under Part 9 of Article 13.11 of the Code of Administrative Offenses. Despite the fact that the company made registration and use of its website inaccessible from Russia, the court found it guilty, indicating that this fact does not exclude a violation of the Law, since Russian citizens can use the site being outside of Russia.

We recommend that both Russian and foreign companies carefully analyze their business processes and, if necessary, ensure compliance with localization and other requirements of the Law on PD.

KEY INITIATIVES ON REGULATION OF DATA DEPERSONALIZATION AND THE PROCESSING OF BIG DATA

The Ministry of Digital Development, Communications and Mass Communications of the Russian Federation prepared a new version of the bill on data depersonalization. The document assumes the creation of a state information system, where the accumulation and depersonalization of information will take place on the basis of data that the state already has, as well as on the basis of data that the business will have to transfer to the state. AI developers will be able to access the depersonalized data. The bill is being considered in the State Duma.

The Digital Code concept is being developed, in particular, with the participation of industry associations and IT companies. The final version of the document is planned to be presented in 2025. It is assumed that the Code will have a strategic character, determine the development of the digital and information environment, and ensure the protection of human rights in this area. The document, in particular, is intended to define uniform principles for regulating information relations, including the unification and systematization of the terminology, define a unified approach to digital identification of citizens, establish clear regulatory requirements for state information systems, comprehensively resolve issues of cloud technologies, big data and AI and eliminate existing gaps in the regulation of e-commerce, personal data protection and privacy.

On behalf of the President of Russia, a national project “Data Economy” is being prepared for the period until 2030. The project is aimed at simplifying the circulation and use of data for the state, business and citizens. It is planned to focus on such areas as data collection, data transmission and the development of new generation communication systems, data processing and analysis, including using AI, creating a computing and data storage infrastructure using local systems, improving local standards and protocols for working with data, ensuring data security, including using quantum encryption technology.

AUTHORIZATION OF USERS TO ACCESS THE WEBSITE

From December 1, 2023, a procedure has been established for authorization of users located in Russia to access digital resources (for example, websites, applications).

Russian owners of such resources operating on the Internet in Russia must authorize users in one of the following ways: by mobile phone number, through the Public Services System, the Unified Biometric System or another information system. The latter must belong to a Russian citizen or an organization controlled by a Russian public law entity or citizen.

The new requirements do not apply to corporate portals used exclusively by employees of one company or group of companies to manage internal processes.

At the same time, a transition period is granted until 2025, during which owners of digital resources will be able to continue to use their information systems for authorization, as well as information systems belonging to Russian legal entities that meet the requirements of the transitional period.

CROSS-BORDER DATA TRANSFER

Since 2023, there are new cross-border data transfer rules in force. Data controllers must submit corresponding notifications to Roskomnadzor prior to the cross-border data transfer.

Based on statistics for 2023, Roskomnadzor considered 733 notices on intention to conduct cross-border data transfer, including 3 decisions to prohibit cross-border transfer, 6 decisions to restrict cross-border transfer and 21 decisions not to consider notice.

In 2024, we may expect a further development of Roskomnadzor's enforcement practice with regard to compliance with the cross-border transfers rules, as the regulator has stated that the absence of such notification will result in administrative liability under Article 13.11 of the Code of Administrative Offences.

DATA PROTECTION POLICIES AND ROSKOMNADZOR INSPECTIONS

Please be aware that the requirements for the content and structure of a company's regulations on personal data processing, including the 'online' privacy policies, have been significantly updated.

Within the current moratorium on the planned inspections, Roskomnadzor actively continues to monitor sites for possible violations of the requirements for privacy policy.

Furthermore, since November 18, 2023, there is a new risk indicator in the area of data protection compliance. Identification of inconsistencies between the provisions of the privacy policy and the provisions of the notification on personal data processing is a ground for an unscheduled inspection by Roskomnadzor.

It is possible that in 2024 Roskomnadzor will focus on the interrelation between the notification on processing of personal data previously submitted by a data controller and the actual processes of collection and processing of personal data on the website of such a data controller.

The Government has extended the ban on unscheduled inspections of legal entities and individual entrepreneurs until the end of 2024.

The previously established exceptions to the general prohibition will remain in place, when unscheduled inspections can still be realized by the regulator upon their coordination with the prosecutor's office, namely:

- › inspections of facilities categorized as extremely high and high risk;
- › inspections when the control authorities identify cases of threat to the life and health of citizens and the security of the country;
- › as well as inspections based on risk indicators of violation of mandatory requirements.

The list of risk indicators is constantly updated. In 2024, the list is expected to be further expanded to include new indicators. For example, a draft law has been submitted to the State Duma that would eliminate the prohibition to conduct an inspection in the event of a personal data leak (Draft Law No. 518022-8 "On Amending Article 27 of the Federal Law "On Communications" and the Federal Law "On State Control (Supervision) and Municipal Control in the Russian Federation"). According to the Draft Law, the receipt by Roskomnadzor of information on the illegal or accidental transfer of personal information, which violated the rights of their subjects, will become an independent ground for an unscheduled inspection by the regulator. At the same time, it is proposed to retain the obligation to coordinate the inspection with the prosecutor's office.

In addition, the possibility of a preventive visit by the control authorities is not excluded, regardless of the risk level of the object of control.




COMPETITION AND PRICE REGULATION IN TRADE



The problem of excessive government regulation remains one of the main challenges in Russian trade, and the expansion of government interference in pricing freedom is perhaps the most pressing topic in the focus of the trade industry.

In the context of the economic turmoil, various initiatives aimed at restricting pricing are regularly emerging. Such proposals imply either direct regulation of prices for socially important product categories, or restrictions on trade margins, or assigning the Russian Government the obligation to activate a price regulation mechanism in certain cases.

In addition, a series of draft laws have appeared in the State Duma in recent years, proposing amendments to Federal Law No. 381-FZ “On the basic principles of state regulation of trade activities in the Russian Federation” of 28.12.2009, to regulate retail prices or trade markups. Some of them still remain in the legislative plans of the Russian Parliament, and the draft law No. 470417-8 on giving the Russian Government the right to set maximum permissible retail prices for certain non-food products was introduced as recently as October 2023.

Over the past years, Russia has also acquired practical experience in price regulation: in the pandemic conditions of 2020–2021, the Russian Government not only lowered the threshold for the possible inclusion of the mechanism of direct state regulation of retail prices for socially important goods (although it has not yet applied it), but also attempted to limit factory and retail prices for granulated sugar and sunflower oil through quasi-voluntary agreements between the relevant ministries and producers and retail chains.

While understanding the desire of the initiators of such bills to ensure stable availability of goods in conditions of declining real incomes and purchasing power of the population, we, nevertheless, cannot but note that administrative, i.e. artificial, regulation of pricing processes can have only a short-term effect, and in the longer term is fraught with

undesirable consequences – up to the emergence of a shortage of regulated goods. The practice of 2020–2021, in addition, has shown the enormous difficulties associated with the adaptation of market participants to the introduced price regulation and the administration of such regulation by government agencies.

The main problem is that regulatory intervention discourages market participants from doing business if regulated pricing does not allow them to earn a reasonable income. This is particularly true for regulation aimed at pricing only in retail, being the last link in the supply chain – especially when supply and demand are highly volatile due to multidirectional fluctuations in the production and delivery of goods, changes in their volume and cost.

It should also be taken into account that imbalances in commodity markets as a result of government intervention in pricing can significantly distort price signals, providing grounds for a steady increase in inflation expectations, and thus only strengthening the effect of pro-inflationary factors.

It seems much more effective to focus on targeted budget support, primarily for the population (by increasing the solvency of demand through social payments, assistance to the needy, tax benefits and other measures). It would be equally useful to support producers of agricultural products and foodstuffs in order to reduce selling prices while ensuring market profitability of the respective enterprises.

The Association is convinced that, in the long term, stabilization of the consumer market is achievable with the help of the market economy tools only, as evidenced by the past few years’ experience. It should be a matter of active state assistance to the development of fair competition – both between producers of food products and between food trade enterprises. This always works to the consumers’ benefit and helps to reduce prices and improve the quality of goods and services offered on the market.

However, in 2023, the retail agenda was regrettably augmented with yet another initiative that is questionable from the point of view of market economics: it was proposed to support domestic manufacturers by providing their goods with a certain share in the assortment of both traditional retail and online trade. The country of production and nationality of the owners of both means of production and exclusive rights to means of individualization are considered as the criteria for classifying the origin of goods as domestic. The realization of this parliamentary initiative, supported by the Ministry of Industry and Trade of Russia, is proposed to start with non-food products, in particular, household chemicals and cosmetics, later expanding to other product groups.

The implementation of this idea means the introduction of artificial restrictions on access to store shelves for goods that do not meet the criteria listed above. And this would affect not only products of foreign manufacturers, but also foreign production facilities localized directly in Russia, and even goods from other EAEU countries.

Granting such privileges to Russian (and Belarusian) goods would be a clear violation of the principle of free turnover of goods in the Eurasian Economic Union. At the same time, according to the Strategic Guidelines for the Development of Eurasian Economic Integration until 2025, by that time the formation of the common market for goods in the EAEU should be completed. Obviously, the adoption of the bill under discussion cannot but contradict this goal.

Besides, it will seriously aggravate the work of foreign businesses remaining in Russia, which have invested considerable funds in localization of certain products, transferred advanced technologies and know-how both in production and marketing of such localized goods to Russia and trained Russian specialists. The Association is convinced that this will be a strong blow to Russia's reputation as an investment partner – and not only for businesses from so-called “unfriendly” states.

Moreover, public statements were made at the level of the Russian Ministry of Industry and Trade leadership regarding possible introduction of restrictions on imports of foreign consumer goods, including light industry. It is clear that in case of application of such measures the risk of insufficient supply of goods in the market will increase significantly, since the light industry in Russia at the moment is not able either to fully satisfy the domestic demand, or to promptly increase the output of goods by several times. One can easily foresee that in conditions of deficit of certain goods the market will start to demonstrate strong inflationary dynamics.

In view of the increasing tendency to introduce protectionist measures, we consider it necessary to note that the solution to the problem of developing Russia's own production and promoting domestic goods and brands among consumers can and should be achieved, first of all, by increasing their market competitiveness, including at the international level. In this regard, it would be much more reasonable for the state to support investments of the relevant Russian enterprises in efficiency and ensuring stable production volumes, in improving the quality of products, in reducing their production costs, in the active use of marketing tools, in optimizing logistics processes, etc.

Government support mechanisms that can influence consumer choice, such as VAT reduction on Russian-made goods or targeted assistance to those who need to purchase domestic goods, as well as through the mechanism of government procurement, can also be effective.

The decisions that the government will ultimately make on the issues of both price regulation in the consumer market and quotas for domestic goods will be an important signal for business in the near and medium term. Whether the Russian state will remain faithful to the declared values and fundamentals of the market economy, whether it will find the optimal balance between market freedom and regulation is now a strategic question. In today's challenging environment, it is important for the government to act according to the principle of “do no harm” and give encouraging signals to both consumer market participants and Russian society as a whole.



In view of the increasing tendency to protectionist measures, developing Russia's own production and promoting domestic goods and brands should be achieved, first of all, by increasing their market competitiveness, including at the international level.



PHARMACEUTICAL INDUSTRY: SEEKING A BALANCE OF INTERESTS

“PHARMA-2030” STRATEGY

The Development Strategy of the Pharmaceutical Industry up to 2030 was approved by the Government Order No. 1495-r dated June 7, 2023 (hereinafter – the Strategy). Among the Strategy’s objectives is to deepen and expand the localization of medicines in Russia. Thus, the Strategy envisages an increase in the share of medicines produced in Russia from 36.6% to 42.7% (in monetary terms) and from 61.8% to 66.6% (in packages). The action plan (roadmap) for the implementation of the Strategy was to be approved by the end of 2023, but the document has not yet been adopted (as of January 2024).

Nevertheless, the draft roadmap submitted for public discussion in the fall of 2023 included a number of areas, the implementation of which will have a significant impact on the development of the pharmaceutical industry until 2030. Among them, for example, are: improvement of pricing, introduction of the “two is a crowd” rule (by 2025) and the substance traceability system (so far in the form of a pilot project, the participants of which are first of all manufacturers planning to participate in the system of preferences for deepening localization, primarily regarding the list of strategically important medicines). The Strategy also envisages improvement of the patent protection mechanism, including through optimization of judicial practice, introduction of scientific consulting, creation of new mechanisms of state support and a number of others.

The AEB Health and Pharmaceuticals Committee has been actively working on these areas of the draft roadmap both with the direct developer of the Strategy, the Ministry of Industry and Trade, and with other regulators such as the Ministry of Healthcare, the Federal Antimonopoly Service, the Federal Service for Surveillance in Healthcare (Roszdrnadzor), the Federal Service for Intellectual Property

(Rospatent), and the State Duma Health Protection Committee. The dialogue with regulators on these key issues for the industry will undoubtedly continue in 2024 to improve access to medicines for Russian patients.

INTELLECTUAL PROPERTY RIGHTS PROTECTION ISSUES IN PHARMACEUTICALS

While recognizing the importance and significance of policy being implemented to develop technological and pharmaceutical sovereignty of the Russian Federation, certain measures taken within the framework of this policy cause concern in terms of ensuring the rights of manufacturers of original medicines for medical use. Despite the fact that one of the goals of import substitution measures is to create competencies to respond to possible defects, practice shows that the majority of foreign pharmaceutical companies continue to supply original medicines to Russia. One of the most important factors influencing such a decision is the Russian legislation developed in the field of intellectual property rights. However, one cannot ignore the alarming signals associated with the risks of intellectual property rights infringement.

The issuance of a compulsory license is not new for the Russian legislation, but the concern is not so much the presence of such a mechanism as the uncertainty in its implementation. A compulsory license is an exceptional measure, and its issuance must be subject to the occurrence of conditions clearly defined in the legislation. The norms regulating the issuance of compulsory license both in court¹, and on the basis of the Government’s decision are not fully transparent and require appropriate improvements. In particular, there are no signs/criteria according to which “insufficient use”² of the invention by the right holder can be

¹ Article 1239 of the Civil Code

² Part 1 of Article 1362 of the Civil Code

determined. For authorizations to use the invention granted by the Government of the Russian Federation under Article 1360 of the Civil Code of the Russian Federation, it is also necessary to ensure proper participation of right holders and consideration of their opinion in the process of granting such authorizations.

The decision to issue a compulsory license without obvious grounds may serve as an unpleasant precedent and start a trend with mass attempts by unscrupulous individuals to challenge patents on original inventions. This issue may become especially acute against the background of measures taken by the state to grant subsidies for the development and obtaining by Russian companies of registration certificates for analogues of medicines protected in Russia by patents whose right holders are organizations from foreign countries³ (“Patents on the Shelf”). Despite the fact that the procedure for forming the list of INNs, according to which tenders for such subsidies are announced, as well as the grounds, criteria, terms and procedure for making such a decision have not been regulated, by the end of 2023 a tender for subsidies for 30 INNs was already announced. Manufacturers of original medicines, as a party whose interests are directly affected by this measure, are not involved at any stage of the decision-making process. However, it is in dialogue with manufacturers that it is possible to fully or at least with a high degree of accuracy to assess the real need and feasibility of implementing the concept of “Patents on the Shelf” for a particular INN.

Given the large number of open questions, particularly on the issue of criteria for forming the INN lists, and despite the current lack of a direct correlation between this process and the norms on defectiveness, it can be assumed that the risk of defectiveness of a particular medicine plays an important role here. However, according to Clause 3.1 of Annex 1 to the Order of the Ministry of Health of Russia No. 339n dated May 19, 2022, grounds for the decision of the interdepartmental commission on defectiveness or the risk of defectiveness are the establishment of the fact of deficiency or absence of a medicine in circulation in the Russian Federation, the need for which is unsatisfied, with the possible presence of one or several criteria related to the termination of activities or refusal of supplies or the risk of termination of the activities of the manufacturer and/or supplier. The assessment of such a risk and subsequent decision on defectiveness or the risk of defectiveness without involving the manufacturer and/or supplier cannot be considered complete and comprehensive. Therefore, other decisions, in particular, the formation of a list of INNs for which subsidies will be granted to Russian companies for the development and obtaining of registration certificates for analogues of medicines protected by patents in Russia, the right holders of which are organizations from foreign countries, cannot be made based on such a decision.

Thus, it becomes necessary to seek a balance of interests, including the preservation of patent rights, maintaining the imports and local production of those medicines for which third parties have received state subsidies for development and state registration of analogs, or concluded an offset contract for the production of medicines.

Due to the need for balance noted above, the process of stimulating the creation of Russian medicines should be done while taking into account the availability of localized production of the respective original medicine, as well as other circumstances (inclusion of the localized original medicine in the SPIC, participation of the owner of the original medicine in the development of the Russian R&D environment, etc.).

It is also important to note that the protection of intellectual property in pharmaceuticals is complicated by current trends in law enforcement and judicial practice. As things stand, it is still impossible to achieve the application of interim measures in patent disputes related to pharmaceuticals. Disputes over claiming damages negatively affect right holders when generics are introduced into civil circulation before the expiration of the patent protection period. Finally, the registration of maximum selling prices for generics not yet in circulation sometimes leads state customers to incorrect calculation of the initial maximum contract price and disrupts state procurement.

Special attention is required to protect the exclusivity of pre-clinical and clinical trials (RDP). The current Eurasian procedure for the registration of medicines does not contain the necessary norms of direct action, while the relevant amendments to Federal Law No. 61-FZ have not yet been adopted, and, moreover, do not address the issue of medicines already registered contrary to the RDP norms.

As a result, it seems expedient to create a unified platform for dialogue among all parties involved in the process for comprehensive analysis and assessment of possible risks and to find a balance of interests: manufacturers of original (reference) medicines for medical use, local producers, and representatives of relevant government authorities. This will make it possible to develop and enshrine in the legislation norms regulating, including but not limited to, the frequency and criteria for the use of compulsory licensing instruments, approaches to granting new patents in the context of “greening” of inventions, criteria for dependent/secondary patents, creation of patent linkage, the concept of “Patents on the Shelf” and clarifying the conditions for recognizing defectivity and/or the risk of defectivity.⁴

³ Draft Resolution of the Government: <https://regulation.gov.ru/Regulation/Npa/PublicView?npaID=129564>

⁴ It is important to preserve the right to protect inventions for all foreign companies fulfilling obligations for supplying medicines and medical devices to Russia, which do not unjustifiably increase prices and do not worsen supply conditions.



MAINTAINING THE AVAILABILITY OF HIGH-TECH MEDICAL SERVICES FOR PATIENTS IN COOPERATION WITH FOREIGN MANUFACTURERS OF MEDICAL DEVICES

Medical products belong to the group of socially significant goods. Any changes in regulatory policy in the medical device industry require a balanced approach, otherwise it may lead to a decrease in the availability of medical services for the population. That is why a constant and constructive dialogue between government authorities and companies – manufacturers, distributors, service centers that service medical devices and software for them – is so important.

In particular, given the complex geopolitical environment and economically unstable situation in which companies have been operating over the past few years, the high intensity and constructive interaction with the main regulators allows to efficiently and successfully cope with very serious challenges in the interests of patients, the state and socially responsible business.

EXPORT RESTRICTIONS REGARDING MEDICAL PRODUCTS OF FOREIGN ORIGIN: REGULATIONS FOR OBTAINING PERMITS FOR THE EXPORT OF MEDICAL PRODUCTS, SPARE PARTS AND COMPONENTS OUTSIDE RUSSIA WITHIN THE FRAMEWORK OF RUSSIAN GOVERNMENT DECREE NO. 311 OF MARCH 9, 2022

In 2023, for foreign manufacturers of medical devices, the issue of the lack of regulations for considering requests for the export of medical devices, their spare parts and components related to radio-electronic products remained relevant within the framework of the Decree of the Government of the Russian Federation No. 311 (in cases not provided for by the instructions of the President of the Russian Federation dated 29 June 2023 No. Pr-1293, clause 1d).

BILL OF THE MINISTRY OF INDUSTRY AND TRADE OF RUSSIA “DRAFT FEDERAL LAW “ON AMENDMENTS TO ARTICLES 164 AND 165 OF PART TWO OF THE TAX CODE OF THE RUSSIAN FEDERATION” AS IT RELATES TO MEDICAL DEVICES

Of particular importance for foreign manufacturers is the bill “On Amendments to Articles 164 and 165 of Part Two of the Tax Code of the Russian Federation” regarding medical devices.

In terms of the addition provided by the bill to Paragraph 1 of Article 164, the addition of Subparagraph 23 is as follows: “23) medical devices, with the exception of medical devices specified in Subparagraph 1 of Paragraph 2 of Article 149 and in Paragraph 3 of Subparagraph 4 of Paragraph 2 of Article 164 of this Code, according to the list approved by the Government of the Russian Federation”, foreign manufacturers of imported medical devices are interested that the formation of a new list of medical products with a zero VAT rate based on data on the potential of domestic industrial products (hereinafter referred to as the List) should be implemented:

- › In close dialogue with foreign manufacturers, who continue to confirm their commitment to Russian patients, fulfill their obligations to Russian customers, medical institutions, and also, thanks to many years of experience in the Russian market, have deep expertise in the modality of medical devices that is widely in demand in the Russian healthcare system.
- › Without making any amendments to the Decrees of the Government of the Russian Federation No. 688 of September 15, 2008 and No. 1042 of September 30, 2015. The List of vital medical products should be formed based on the importance of these medical devices for ensuring the required level of healthcare, and not based on the provision of competitive advantages for Russian manufacturers. The inclusion of medical devices in the List of medical products taxed at a rate of 0% should not be accompanied by the exclusion of these products from the List of medical devices exempt from VAT on import and sale.

IMPERFECTIONS OF THE CATALOG OF GOODS, WORKS AND SERVICES REGARDING MEDICAL DEVICES

Today, the existing description of the position of the Catalog of Goods, Works and Services in terms of medical devices allows the customer to select only the characteristics specified in the Catalog position, which describe the most basic parameters of medical devices, without specifying the specifics inherent in a particular healthcare facility.

This increases the risk that the customer will receive equipment that does not meet the needs of the health care facilities in terms of consumer characteristics to provide quality medical care to patients, which negatively affects the quality and volume of medical care provided to patients in this particular medical institution, as well as entails inappropriate spending of budgetary funds.

Foreign manufacturers believe it would be advisable to approve (record in legal acts) the Principles for the Formation of a Catalog of Goods, Works and Services. In particular, the template for describing the Catalog of Goods, Works and Services code positions will contain the necessary qualitative and quantitative characteristics, a set of which can describe the required registered medical product.

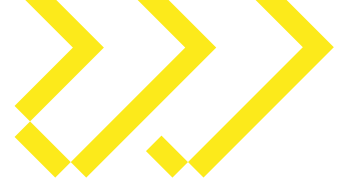
At the same time, some of the characteristics are mandatory, and some are optional. The customer (medical institution) creates a description of the procurement object from the characteristics specified in the template, based on the needs and objectives of the given healthcare facility.

BAN ON THE PURCHASE BY STATE HOSPITALS OF ARTIFICIAL LUNG VENTILATION DEVICES (DRAFT RESOLUTION OF THE GOVERNMENT OF THE RUSSIAN FEDERATION “ON AMENDMENTS TO THE DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION OF APRIL 30, 2020 NO. 616”)

The draft resolution of the Government of the Russian Federation “On Amendments to the Decree of the Government of the Russian Federation of April 30, 2020 No. 616”



A complete restriction of market access for any high technologies on the Russian market cannot become an effective tool for bridging the technological gap or accelerated modernization of production and, as a result, will not yield significant results in terms of ensuring the technological sovereignty of the country.



regarding the ban on the purchase of artificial lung ventilation devices by public hospitals is also on the industry's agenda. According to the experts of the AEB Working Group, additional discussion requires the items that are prohibited for import supplies in the current version of the Government resolution: "neonatal/adult intensive care ventilator" (232870) and "general purpose intensive care ventilator" (232890).

The issues outlined above are of great importance for maintaining the functioning of the Russian healthcare system and providing Russian patients with access to high-tech medical services; for preserving assortment availability, which helps doctors to select the most effective methods of diagnosis and therapy for patients who need, among other things, emergency medical care and correction of therapy in accordance with the specifics of the patient's health condition.

The COVID-19 pandemic has demonstrated the cohesion of the global healthcare system and the high degree of reliability of international humanitarian cooperation. Prompt

response to the needs of patients in Russia and the EAEU countries with the necessary medical services became possible thanks to the presence of an appropriate technological base in Russia and the participation of both Russian manufacturers and manufacturing companies and distributors from Europe, the USA, and China.

Based on international experience, it is worth mentioning that a complete restriction of market access for any high technologies on the Russian market cannot become an effective tool for bridging the technological gap or accelerated modernization of production and, as a result, will not yield significant results in terms of ensuring the technological sovereignty of the country.

Despite the difficult geopolitical situation, international AEB member companies are making every possible effort to ensure uninterrupted production and supply of medical devices, spare parts, and components, which, in the event of possible problems in the healthcare system, is an additional channel for the supply of necessary equipment.

INSURANCE AND PENSION MARKETS: PROBLEMS AND SOLUTIONS



The most challenging outcome of foreign economic sanctions on the Russian insurance industry is a substantial *decrease in accessible global reinsurance capacity*. Prior to 2022, over 70% of all reinsurance was placed on the international market. Following the introduction of the anti-Russian

sanctions and counter-restrictive measures, Russian insurance companies faced the possibility of being unable to reinsure the risks they had accepted in full. With the risk of sanctions and restrictive measures being further expanded, this posed a threat both to insurers and policyholders.¹

¹ Following Federal Law № 55-FZ, Russian insurance companies are prohibited from engaging in any transactions, including making payments under previously concluded contracts with insurers, reinsurers and brokers of "unfriendly" states or those controlled by such states, subject to certain minor exceptions. However, transactions related to the export of food and mineral fertilizers are permitted. It is possible to receive payments, set-offs, and cancel contracts under this law. In exceptional circumstances, these actions may be conducted with the authorization of the Bank of Russia. This prohibition (in terms of controlled persons) also applies to dealings with Russian insurance companies and brokers with foreign participation. On 15 February 2023 and 5 June 2023, the Bank of Russia released temporary permits, however they do not extend to Russian brokers and retrocession agreements and the transfer of risks under CCAO is excluded. Insurers must, therefore, check Russian counterparts for "unfriendly control", obtain representations and warranties, and supplement contracts with appropriate clauses. Additionally, the "mandatory cession" has increased from 10% to 50%, which is the share of reinsured risk that the reinsurer is obliged by law to offer to the RNRC.

As a result, the ability to renew reinsurance contracts was affected and many existing reinsurance contracts were prematurely terminated. Insurers had to rebuild their reinsurance protection, which in certain cases meant having to pay reinsurance premiums again to a new reinsurer without being able to reclaim funds paid to a previous reinsurer or encountering difficulties in the process.

Insurers have also encountered problems in obtaining reinsurance payments, which we will discuss in more detail below.

The decrease in reinsurance capacity had a significant effect on “corporate insurance” agreements with high limits and exposure to potentially substantial losses. Furthermore, it impacted contracts with an international element, such as cargo insurance for international transport, aircraft and marine vessels, and other assets belonging to corporations. Additionally, it impacted contracts related to construction and installation risks, civil liability, and directors’ and officers’ risks.

As a consequence of all of these changes, the Russian National Reinsurance Company (RNRC) has emerged as the only available large reinsurance capacity on the Russian market.

This is the background against which we consider the issues outlined below as the most pressing for the insurance market.

CATASTROPHIC EVENTS AND SUBSTANTIAL LOSSES

The risk of catastrophic events, along with the possibility of *substantial losses accumulation to the RNRC* in corporate property, marine cargo liability, and other types of insurance are to be carefully considered. The most significant risks arise from fires, technological accidents, damage to aircraft, marine vessels and cargo, natural disasters and acts of terrorism. The combined losses from various insurers due to individual insured events may accumulate and significantly impact the RNRC’s financial results.

In 2022, due to time constraints, the RNRC predominantly adhered to the terms of previously concluded reinsurance agreements when negotiating the provision of reinsurance coverage to replace foreign reinsurers. However, as a consequence of the aforementioned risks, the RNRC has notified market participants of *changes in risk assessment and costs* when renewing for 2023.

The RNRC has tightened the conditions for accepting certain risks in reinsurance (property, liability and cargo insurance) and practically excluded certain risks. There has been a “point-by-point” increase in reinsurance rates. For example, warehouse reinsurance rates have increased 2-4 times when the insurer was not ready to accept exclusions from the coverage for a number of risks in the treaty. The number of special acceptance of risks in reinsurance has increased.

RISK MANAGEMENT AND UNDERWRITING

In the absence of capacity alternative to the RNRC, such changes have inevitably affected the rates, risk-appetites and insurance conditions of direct insurers. Faced with the prospect of otherwise being simply unable to reinsure accepted risks, direct insurers have been *forced to symmetrically change their own approaches* so as to “mirror” the tougher underwriting approaches and increased rates of direct insurance and reinsurance contracts.

This has had a particularly acute impact on those insurers that were (or still are) part of *foreign insurance groups*, as the latter’s obligatory reinsurance contracts were often concluded with affiliated reinsurers on terms more favorable than those offered on the Russian market. The changes also affected their obligatory contracts with RNRC, even those with low loss ratios.

LOCALIZATION

Another consequence of sanctions is the *“localization” of insurers* that were previously part of international insurance groups. These companies had to make significant changes to their internal processes and procedures. Many of their functions and services were supported from abroad and at some point, became unavailable, along with reinsurance protection.

PROBLEMS WITH SETTLING LOSSES IN FOREIGN JURISDICTIONS

- › Difficulties in obtaining reinsurance payments. Increased response time of foreign reinsurers, refusals and sometimes just “silence”.
- › Problems with payments. Foreign banks sometimes return payments.
- › Not all foreign companies are ready and willing to work with clients from Russia, even if those clients are not included into the sanctions lists or subject to sectoral restrictions. Therefore, insurers are faced with the task of finding new service providers to handle claims abroad: new law firms, loss adjusters and surveyors.

The following possible solutions are being applied or discussed to adapt the market to the new business environment:

- › Increasing the size of the risk retention for the largest risks.
- › Additional capitalization.
- › Portfolio diversification.
- › Reduction or elimination of insurance coverages for certain clients and risks (or even entire lines of business).
- › Decreasing sums insured and limits. Large clients are faced with the reality that they are no longer able to insure their risks on the same terms, meaning they cannot obtain the same coverages and limits as before.
- › Increased use of risk co-insurance.



- › Changes in the structure of reinsurance (e.g. increase in the number of layers and reinsurers).
- › Securitization (use of so-called “catastrophe bonds”/ CAT bonds). Such securities imply an increased investor income taking into account the risk assumed, since in the event of a catastrophe (or other event) and a major loss to the insurer, the investor loses the investment or a part thereof, except for coupon payments previously received. Insurers have not yet issued such securities in the Russian market. The Central Bank of the Russian Federation tentatively supports the issue of such bonds, but is waiting for specific proposals from the market. The main difficulties lie in the high cost of such instruments, as well as in the fact that current regulation does not allow insurers to issue these bonds themselves, and to take into account the issuer’s payment obligations under such liabilities when calculating the amount of capital. Interest in “catastrophe bonds” among Russian insurance companies may increase when traditional reinsurance capacity is exhausted or becomes too expensive.
- › Reinsurance to friendly countries, including companies from CIS countries and China. However, the possibilities of such placement are severely limited: lack of interest from foreign partners (risk of secondary sanctions and inability to transfer risks received from the Russian insurers in retrocession to “unfriendly” markets). There are problems with mutual recognition of ratings and an inability to take reinsurers’ shares into account for the reserves.

Market participants have received offers of cooperation from Iran through the All-Russian Union of Insurers.

In September the Central Bank announced that the Indian regulator is ready to consider applications from Russian insurance companies to set up branches/joint insurance companies and to be included into the FRN (File Reference Number) register without taking into account the requirement to have a rating from an international agency.

- › The creation of a reinsurer for the Eurasian Economic Union (EAEU). An agreement on the creation of the Eurasian Reinsurer was signed by the prime ministers of the EAEU countries last summer. According to preliminary information, the company’s authorized capital will amount to 15 billion roubles and will be formed at the expense of EAEU member state contributions. However, market participants are skeptical about the potential of the Eurasian reinsurer, the estimated capacity of which is unlikely to provide an alternative to the RNRC.

The market is gradually getting used to the changes. The rules of the game are becoming clearer. The search of a balance of interests is underway. Work is in progress but it will take several years to restore clarity and coherence to processes and to reach agreements that take into account the interests of all parties concerned.

CARGO INSURANCE IN THE NEW REALITY: CHALLENGES AND WAYS TO MITIGATE RISKS

Now that “standard” logistics routes from Asia via European hub ports are no longer available, with freight flows diverted to new destinations and goods more likely to enter Russia from the East, cargo owners face new challenges in freight logistics and, consequently, new challenges with respect to cargo insurance.

Russia’s infrastructure must be ready for new increases in cargo flow in order to distribute cargo from new directions. The main warehouse areas and logistics centers, however, are concentrated in the European part of the Russian Federation. Consequently, cargo from the East often moves more slowly and accumulates in hubs: ports, railway stations, and regional transport and logistics centers.

Cargo insurance includes in-transit storage. However, recently updated reinsurance terms offered by the state reinsurer, the Russian National Reinsurance Company, only permit insurance companies to insure in-transit storage where such storage is due to the nature of the transportation and is carried out in accordance with the issued transportation documents for no more than 60 days. Storage at an intermediate point carried out by the cargo owner under storage contracts will mean that cargo insurance will be interrupted for that period.

The second important point is the accumulation of goods at intermediate points. Here, control and timely communication with the insurer are important in case the value of a temporarily stored cargo exceeds the limits set out in the insurance contract.

There are enough alternative routes along which commodity flows can be redirected. These include: from Europe via Turkey, Georgia and Kazakhstan; from Asia via the Far East, Kazakhstan, Iran, Turkey and Georgia as well as the Balkal-Amur Mainline and Trans-Siberian Railway; via the International North-South Transport Corridor; and via the developing Northern Sea Route.



Russia’s infrastructure must be ready for new increases in cargo flow in order to distribute cargo from new directions.

New freight flows are characterized by a high risk of accumulation due to disruptions in logistics and insufficient infrastructure in the eastern region, as well as passing through different climatic zones. Such changes need to be taken into account when packing cargo and in working with the manufacturer at the level of designing factory packaging.

Parallel imports and the movement of goods along alternative routes can be achieved through foreign trade agents. Closely related to this is the concept of cross-carriage, when imported cargo does not cross the territory of the Russian Federation at one of the transportation sections according to documents. By default, such transports are not insured in the new reality. The renewal of insurance programs "as they were" is no longer possible. It is necessary to analyze transport conditions in detail together with the insurer, provide the latter with documents confirming the Russian interest, and to amend the insurance contract to reflect all the peculiarities of the changed logistics and contractual work.

A NEW PENSION LAW TO SIGNIFICANTLY CHANGE THE RUSSIAN LONG-TERM INVESTMENT LANDSCAPE

As of 01.01.2024 Russia has been introducing the so-called long-term savings program ("PDS") which will be a universal new product managed by non-state pension funds and available to individuals that they create for themselves or for others, such as their relatives. This new product will be financed by the individuals themselves, and there is an option to combine the "second pillar" OPS product and related savings in this new PDS product. The new legislation provides for significant government benefits such as an annual tax rebate of RUB 52,000, an annual government contribution of RUB 36,000 for co-financing during the first 3 years of savings, and a government guarantee of RUB 2.8 million, which is significantly higher than bank deposits.

Significant demand for this product is expected from retail customers as well as employers who intend to bundle this new product into an existing corporate pension program. Interested parties should contact their local pension company for details.

RECYCLING 2024. NEW RULES, OPPORTUNITIES AND RISKS

On August 4, 2023, Federal Law No. 451-FZ "On Amendments to the Federal Law "On Production and Consumption Waste" and Certain Legislative Acts of the Russian Federation" (Law No. 451) was adopted. The main provisions of new Law will come into force from the beginning of 2024, while certain provisions, for example, concerning the increase in recycling rates for packaging, will come into force in stages until 1 January 2027. As a follow-up to Law No. 451, at least 15 regulatory acts detailing new rules for the implementation of extended producer and importer responsibility (EPR) are being developed and are scheduled for approval in early 2024. In general, the trends and requirements of the

regulations are clear, but a number of fundamental issues will be further clarified in them.

WHO IS THE SUBJECT OF REGULATION?

The new concept of EPR introduces changes in the subject composition. As far as producers of goods are concerned, everything remains the same. As for packaging, there are changes: previously, producers and importers of goods in this packaging were responsible for the recycling of packaging. Now, with regard to imported products in packaging,



the subject of packaging remains the same – the importer. In the part of local production, the subject of regulation became the producer of packaging, but not the producer of packaged goods.

The main problem with the subjects of packaging regulation is whether the producer of packaging considers himself as such or not and whether the producer of goods has taken this point into account in his reporting. For example, producers of paper rolls may supply paper for the production of cardboard sheets, which may be regarded as the supply of raw materials for the production of cardboard packaging, or they may supply the same rolls to a furniture factory for the packaging of finished products, which may be regarded as the supply of packaging materials.

Taking into account that supervisory authorities are not aware of the specifics of the production processes of specific regulated entities, it is advisable to formalize in supply contracts the provisions on the obligations of one of the parties to pay the environmental fee in accordance with the requirements of Law No. 451. This will help to avoid misunderstandings with both partners and supervisory authorities in the future.

WHAT ARE THE OBJECTS OF REGULATION?

The objects of regulation remain goods and packages. At the same time, the groups and the content of nomenclature items in each group change. For example, all electronics from several groups are combined into one group and new items are added.

With regard to goods, Law No. 451 provides that a regulated object is no longer a regulated object if it is supplied as a raw material, component, spare part for the production of goods included in the list of regulated objects or is used in the production of vehicles in respect of which the disposal fee is paid. The fact of actual recycling is important in this context, not the theoretical possibility. AEB was given a clarification by the regulator that spare parts, if they are not supplied for the production of other goods, but are used in service centers to replace broken parts, are regulated and the environmental fee must be paid for them.

MOMENT OF RESPONSIBILITY

Previously, responsibility for ensuring waste recycling arose from the moment the goods were sold. Now the moment of responsibility comes earlier for importers, from the date of import, and for producers from the date of shipment (payment), but taking into account a number of aspects.

For importers, responsibility arises:

- › with respect to goods and packaging imported from member states of the Eurasian Economic Union from the date of their acceptance for accounting;

- › with respect to goods and packaging imported from states that are not members of the Eurasian Economic Union from the date of their release by a customs authority for domestic consumption.

For manufacturers, responsibility arises from the earliest of the following dates:

- › the day of shipment (transfer) of goods, packaging;
- › the day of payment or partial payment against forthcoming deliveries of goods and packaging;
- › the day of writing off spoiled or defective goods and packaging.

WHAT ABOUT NORMS AND RATES?

The norms and rates for the vast majority of products and packaging for 2024 remain unchanged. However, for some items (e.g. plastic packaging) the rates have increased.

For 2025-2029, the norms for all products and packaging are set to increase. And while for goods the increase will amount to an additional 10% of imported/produced goods per year, for packaging the norms for 2025 are set at 55%, for 2026 – 75%, for 2027 – 100%.

The rate of environmental fee for packaging remained at the same level, but due to the introduction of increasing coefficients it actually increased. The increase amounted to an additional 25-100% after the introduction of increasing coefficients.

The rate for goods has not been increased, and no increasing coefficients have been set.

The environmental fee rates themselves are planned to be further revised upwards by the end of 2024, which will lead to an even greater increase in environmental payments.

WHO RECYCLES?

It is stipulated that all recyclers must submit documents for inclusion in a special register of recyclers. Based on the results of reviewing the documents, an on-site assessment is carried out within 30 working days or the recycler is included in the register without an inspection; however, such an inspection may be carried out within six months from the date of receipt of the recycler's application for inclusion in the register. There is a risk that the recyclers will be excluded from the register of recyclers after 6 months, which casts doubt on the expediency of concluding recycling contracts in the first half of 2024.

When being included in the register, the regulator checks the availability of recycling capacities, license, and periodically collects reports from recyclers on recycling volumes performed, energy consumption, etc. In general, this increases the reliability of the recycler and its acts of recycling, but it does not guarantee that such reports will be accepted in the future. There is a simple rule at work in this situation,

similar to other areas where registers or licensing have been introduced, if an entity at the time of inspection complied with the requirements, it is included in the register, but this does not mean that it automatically gets the right to violate the law. Any breaches will be investigated and recycling certificates will be cancelled if the disposal is done in an irregular manner. Therefore, there remains a need to fully inspect recyclers independently, with the involvement of experts or associations.

HOW CAN RECYCLING BE DONE?

The requirements for the outcome of a recycling process are changing significantly. Previously, there were many disputes as to whether a process was recycling or treatment, which led to litigation. Now a list of types of waste from the use of goods has been developed, due to the recycling of which the obligation to ensure independent recycling of waste from the use of goods can be fulfilled, as well as a list of goods (products) that can be produced by the recycling of such waste.

It is important that some of the companies that used to be recyclers within the EPR, as they formally had a license for recycling and this fact was sufficient, will now fall out of the EPR, as their recycling technologies and processes do not meet the requirements of this list. These recyclers will not be able to enter the relevant register.

GUARANTEE AGREEMENT

It is planned that from 2026 for importers (an earlier date will be set for goods that will fall under the experiment) it will be possible to provide a guarantee agreement with a recycler, under which the recycler assumes the responsibility to fulfil the recycling standards instead of the importer or to pay the environmental fee in case of failure to fulfil the obligations under the agreement. At the same time, the contract will stipulate that the fulfilment of obligations under the contract is also secured by a bank guarantee, in case the recycler fails to fulfil its obligations and pay the environmental fee instead of the importer, the guarantor bank will be responsible.

Despite the apparent protection of the importer, the guarantee agreement has a number of drawbacks, firstly, it does not cover the risk of imposing fines under Art. 8.5.1 of the Code of Administrative Offences of the Russian Federation,

which may be imposed on the importer, secondly, the guarantor bank will assess the assets of the recyclers and assign a percentage of the environmental fee for issuing a bank guarantee up to 25-30% of the amount of the environmental fee, which may make payment of the environmental fee a more rational alternative to self-execution of liability.

EXPERIMENT

By the end of 2026, the Government of the Russian Federation plans to conduct an experiment. Provisions regarding the inclusion of a mechanism to control the payment of the environmental fee at customs will be tested on various product groups (tyres are discussed in priority); packaging is also included in the project. AEB takes the position that, despite the advantages of the experiment on small samples of products, it is not appropriate to extend it to packaging, as it is present on all imported products and the experiment will cover all items and product groups.

AEB encourages its members to actively participate in the experiment to work out the mechanisms for its implementation in practice and to optimize the adaptation of future requirements to the realities of current practices and company processes.

REPORTING IN 2024

Another important aspect in this context is the 2023 reporting campaign. By April 15, 2024, reporting on the weight of goods, packaging produced in the territory of the Russian Federation or imported from other states, reporting on the performance of self-disposal of waste from the use of goods for the period from January 1 to December 31, 2023 must be submitted. In response to AEB's inquiry, the Ministry of Natural Resources and Environment of Russia clarified that all reporting is done in accordance with the previous requirements of the specialized Law No. 89 and the previous by-laws.

To date, not all by-laws have been adopted yet and it is not possible to assess all the consequences, risks and opportunities of the new regulation. AEB will continue to participate in the discussion of the projects under development related to the EPR and to support its members on the implementation and participation in the experiment.



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ENHANCING THE SUSTAINABILITY AGENDA



The green topic runs through the significant problems of the world today, as it has an impact on the very future of the planet and the well-being of the next generations. It is important not to lose the experience accumulated so far and to continue building it up even in such difficult conditions for all of us.

INVESTMENT IN LOW-CARBON ENERGY DEVELOPMENT

Each year, the role of the world's largest economies in achieving carbon zero becomes more and more evident.

According to the BloombergNEF (BNEF) report, global investment in low-carbon energy development in 2022 totaled USD 1.1 trillion, another record. It is important to note that despite the energy crisis, the world is nevertheless continuing to move towards accelerating and incentivizing the use of clean energy technologies.

At the same time, sectors related to renewable energy, energy storage, electrified transportation, carbon capture and storage, hydrogen and sustainable materials also reached new investment records in 2022.

Renewable energy, including wind, solar, biofuels and other forms of energy, remains the largest sector by investment as before, reaching a new record of USD 495 billion last year (up 17% by 2021). However, the electrified transportation sector, including spending on electric vehicles and infrastructure for them, has almost overtaken renewables, with USD 466 billion (+54%) spent in 2022.

The use of renewable energy has many potential benefits, including a reduction in greenhouse gas emissions, new investments and taxes, the diversification of energy supplies and a reduced dependency on fossil fuel markets (in particular, oil and gas).

Investors kept supporting green projects even during the global economic recession of the past two years. This is equally relevant for the Russian green finance market, which is expected to continue developing.

The core Russian financial institutions and commercial companies are actively involved in promoting green finance through various legislative initiatives and by developing their own policies.

KEY PROCESSES OF CLIMATE AGENDA DEVELOPMENT IN RUSSIA

In the period from 2019 to 2021, regulations were adopted that generally formulated the national sustainable development agenda and established rules of behavior in ESG spheres.

From the point of view of promoting the regulatory framework for sustainable development in Russia, an important event was the adoption of the country's Climate Doctrine in September 2023. In this document, Russia reaffirmed its commitment to achieve carbon neutrality, taking into account national interests and priorities of socio-economic development no later than 2060.

Among the practical steps in the implementation of national projects in the sustainable development sector it is necessary to note the launch of the Register of Carbon Units of the Russian Federation in September 2022. This mechanism will stimulate the development of climate projects in the country. Thus, Russia launched a voluntary market of carbon units and, simultaneously with the start of the Sakhalin experiment, a regulated market, that provides for quotas for greenhouse gas emissions and units for the fulfillment of quotas.

In addition, the President of the Russian Federation signed Federal Law No. 489- FZ dated August 4, 2023 “On Amendments to the Federal Law “On Electricity”, which laid the foundation for a certification system for low-carbon electricity sources in the country. In addition to the green energy certificate itself, the most important tool to support the development of RES projects, the Federal Law established the status of generation attributes – rights related to the characteristics of the electricity generation process at a qualified generation facility.

In the first quarter of 2024, a national certification system for low-carbon electricity generated from renewable energy sources, hydropower and nuclear power plants is expected to be launched. This system will be used to maintain a registry that will include generating facilities that produce more than 200 million MWh annually.

The changes themselves, concerning green certificates and the rules for their circulation, will come into force 180 days after the publication of the Federal Law.

Global leading companies across the world actively integrate sustainability goals into their strategies. So far, business in Russia demonstrates strong interest in developing climate projects and has high expectations for the future. But every company needs to plot its own journey to net-zero to meet the sustainability goals.

CONCLUSION

Moving towards sustainability is a complex process that requires thorough planning and implementation. There is no one-size-fits-all package for sustainable energy transitions, as each country’s and company’s objectives, capabilities and constraints will shape the approach.

Effective communication about greenhouse gas reduction is crucial as it bridges the gap between knowledge and action, inspiring governments and companies alike to unite in developing innovative solutions for a sustainable future.



**SEEDS AND PESTICIDES:
ADVOCATING A BALANCED
APPROACH TO IMPORTS**

PLANNED INTRODUCTION OF QUOTAS FOR IMPORTS OF AGRICULTURAL SEEDS TO RUSSIA

The strengthening of the import substitution trend in agriculture aimed at ensuring Russia’s food security is justified and understandable in the current situation and cannot but be supported. At the same time, quotas for import of agricultural seeds into the Russian Federation as one of the main mechanisms of its implementation, introduced by the Government Decree of 26.06.2023 No. 1034 “On certain types of goods, in respect of which quantitative restrictions on import into the territory of the Russian Federation may be applied”, carries significant risks for ensuring food security of the country.

ORGANIZATION OF CROP SEED IMPORTS TO RUSSIA

In the countries that are major suppliers of seeds to Russia, seed production is a highly technological and, therefore, very expensive process. The formation of seed production volumes, including exports to other countries, is carried out in accordance with carefully prepared and approved production plans with a breakdown by importing countries. As a rule, the creation of seed stocks not subject to planned sales is not practiced. The only exception is commercially justified adjustments due to changes in the area planted to certain crops in the importing country. Under current conditions, the logistics of importing imported seeds has become much more complicated procedurally and time-consuming.



PREDICTED RISKS AND CONSEQUENCES OF THE INTRODUCTION OF QUOTAS ON IMPORTS OF AGRICULTURAL SEEDS TO RUSSIA

Companies faced with the need to reduce the volume of imported seeds in Russia will have to reduce hybridization areas. Taking into account that the majority of Russian territories are located in the zone of risky agriculture, the following factor should be taken into account. Deteriorating weather conditions may negatively affect the harvest, which in turn will lead to a shortage of seeds. It is unlikely to be overcome in a short period of time, as it will take some time to build up the necessary amount of seeds of domestic selection, as well as to restore the areas for hybridization, reduced by foreign companies. It should be taken into account that under the HS codes of the EAEU specified in the Resolution, along with hybrids intended for sowing, the components for their production on the territory of Russia – seeds of parental lines – are also covered. In addition, Russia still lacks domestic crop seeds for a number of target areas important for the food industry, for example, waxy corn, the seeds of which are also subject to restrictions – EEU HS code 1005 10 900 0.

AEB POSITION

Taking into account the risks of competition restriction and price growth, AEB, as well as leading industry unions, proposes to carefully assess the possible negative consequences of introducing seed import quotas. A more balanced approach will be alternative measures that contribute to the development of domestic seed production and strengthen Russia's agricultural industry. It was expressed at working meetings with representatives of the Ministry of Agriculture of Russia, and presented in an appeal addressed to the Chairman of the Subcommittee on Customs and Tariff Regulation and Non-tariff Regulation, Protective Measures in Foreign Trade of the Government Commission on Economic Development and Integration, Minister of Economic Development of the Russian Federation Maxim Reshetnikov.

PLANNED INTRODUCTION OF QUOTAS FOR PESTICIDE IMPORTS TO RUSSIA

In May 2023, at the meeting of the President of the Russian Federation with representatives of "Business Russia" there was a proposal from the Russian Union of Manufacturers of Crop Protection Products to introduce quotas for pesticide import to Russia. The President instructed the relevant ministries and governmental bodies to consider this proposal. The feasibility and prospects of introducing such a measure of non-tariff regulation is being actively discussed on various platforms. Taking the risks and possible negative consequences for agriculture and food security of Russia into account, AEB has a consolidated position of its members – the world's leading CPP producers – against the introduction of quotas on pesticide imports to Russia. The decision is authorized by the Subcommittee on Customs and Tariff Regulation and Non-tariff Regulation, Protective Measures in Foreign Trade of the Government Commission on Economic Development and Integration.

RUSSIAN CPP/PESTICIDE MARKET

The Russian CPP/pesticide market is a dynamically developing and highly competitive market.

According to the Ministry of Agriculture of Russia, in 2022 the consumption of pesticides in Russia amounted to about 230 thousand tons, of which:

- › products of domestic producers – 118.8 thousand tons or 51.6% of total consumption;
- › import – 71.2 thousand tons or 30.9% of the total consumption, of which imports by Committee members – about 43%;
- › products manufactured by international producers at the facilities of domestic companies under the tolling scheme – 40 thousand tons or 17.5% of the total volume.

According to the "Plodorodiye Agency", the profit of Russian pesticide manufacturers increased by 73% to 24 billion roubles compared to 2021. The major share of profit in 2022 remains with the leading Russian CPP producers (JSC "August" and JSC "Shchelkovo Agrochem").

Currently, more than 85% of raw materials, including almost all active ingredients required for CPP production, are not produced in Russia and are imported mainly from China and other countries.

PREDICTED RISKS AND CONSEQUENCES OF INTRODUCING PESTICIDE IMPORT QUOTAS IN RUSSIA

AEB member companies currently produce in Russia at least 60% of pesticides from the total volume of products sold in the country and are steadily increasing local production. However, it is practically impossible to quickly restructure plans and increase production in Russia. This is due to both the reorientation of logistics chains and the requirements of state registration of pesticides in Russia. Transferring production to a Russian plant requires additional toxicological and hygienic studies, obtaining a Rospotrebnadzor conclusion, making changes to the container label, and obtaining its new number, which takes at least one year.

It should be separately noted that the introduction of quotas will reduce in the short and medium term the supply of new, innovative, effective, and safe CPP, the production of which is not always expedient to be carried out at several plants at once due to their specific nature and volumes. Due to market uncertainty, which will inevitably be present under quota restrictions, it will be difficult for exporting companies to manage these risks and, accordingly, to make decisions on introducing new products to the Russian market, which requires significant investments and time for registration trials. The availability of new, effective CPP for Russian farmers, especially those in demand in the context of climate change, increasing resistance to pesticides and the introduction of stricter environmental regulations, will be reduced.

Thus, the introduction of pesticide import quotas carries significant risks, primarily for Russian farmers. Leading industry unions that unite Russian farmers express serious concern about the planned measure, the introduction of which will lead to a decrease in the availability of pesticides for Russian agricultural producers, and do not support its introduction. A sharp reduction in the import of crop protection products and the lack of their replacement in terms of quality characteristics will lead to reduced competition in the domestic market and the growth of counterfeit products. As a result of the introduction of quotas, the cost of production of all crops is projected to increase, as the share of CPP in the cost structure averages 10-15%.

AEB ACTIONS

The position of AEB, coinciding with the position of the Sugar, Potato, Fruit and Vegetable and Oil and Fats Unions, was presented at working meetings and sessions organized by the Ministry of Industry and Trade and the Ministry of Agriculture of Russia, and expressed in appeals sent to the Chairman of the Subcommittee on Customs and Tariff Regulation and Non-tariff Regulation, Protective Measures in Foreign Trade of the Government Commission on Economic Development and Integration, Minister of Economic Development of the Russian Federation Maxim Reshetnikov.



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ANNEX 1.

REGULATORY CHANGES IN 2023



PRESIDENTIAL DECREE NO. 72 OF 06.02.2023 “ON THE SPECIAL PROCEDURE FOR CARRYING OUT SETTLEMENTS BETWEEN CERTAIN RESIDENT LEGAL ENTITIES IN THE COURSE OF FOREIGN ECONOMIC ACTIVITY”

- › exporters involved in deliveries under intergovernmental agreements were exempted from the compulsory sale of foreign currency proceeds;
- › Russian exporters supplying goods of Russian suppliers abroad in pursuance of intergovernmental agreements are allowed to transfer foreign currency received from non-residents (net of expenses incurred) to the suppliers' accounts in authorized banks without its compulsory sale.

PRESIDENTIAL DECREE NO. 138 OF 03.03.2023 “ON ADDITIONAL TEMPORARY MEASURES OF ECONOMIC NATURE RELATED TO THE CIRCULATION OF SECURITIES”

- › transactions involving the transfer of title to securities, transfer into trust management or pledge of securities fall within the scope of the Decree and require authorization from the Central Bank of Russia (for banks and non-credit financial institutions) or the Government Commission (for other applicants);
- › a special procedure applies if such securities (securities of foreign issuers certifying rights in respect of shares in a Russian joint stock company) are acquired after March 1, 2022 from persons of “unfriendly” foreign states.

PRESIDENTIAL DECREE NO. 139 OF 03.03.2023 “ON CERTAIN ISSUES OF THE ACTIVITIES OF BUSINESS COMPANIES PARTICIPATING IN THE FULFILMENT OF THE STATE DEFENSE ORDER”

- › external management will be introduced for failure to fulfil the state defense order. In case of violation by the contractors of the state defense order of their obligations under the contract, the rights of shareholders (participants) of such companies and the powers of their management bodies will be suspended;
- › at the same time, external management will be imposed on such companies, i.e. a management organization will be appointed for the purpose of fulfilling obligations under the state defense order.

FEDERAL LAW NO. 78-FZ OF 18.03.2023

- › the law amends criminal law and criminal procedure legislation in relation to the adjustment of liability provided for the non-payment of taxes and insurance contributions on a particularly large scale;
- › the amendments will enter into force on 29 March 2023;
- › in addition, the list of cases when a criminal case may not be initiated and the initiated criminal case is subject to termination is expanded.

ORDER OF THE MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT OF THE RUSSIAN FEDERATION NO. 173 OF 04.04.2023

- › new rules for the disposal of waste electronic and electrical equipment;
- › electronics waste should be disposed of at least 85% – this is the share of secondary raw materials obtained as a result of recycling.

PRESIDENTIAL DECREE NO. 302 OF 25.04.2023 “ON TEMPORARY MANAGEMENT OF CERTAIN PROPERTY”

- › the Decree provides for retaliatory measures in case of seizure of Russian assets abroad;
- › if Russia and Russian legal entities and individuals are deprived of ownership rights to property in “unfriendly” countries, property rights, restrictions of these rights or a threat of such deprivation (restriction), temporary management is introduced in relation to assets of persons from “unfriendly” countries;
- › the list of assets in respect of which temporary administration is introduced was established. It includes stakes in Unipro and Fortum owned by foreign shareholders;
- › the Federal Property Management Agency was appointed interim manager.

FEDERAL LAW NO. 138-FZ OF 28.04.2023 “ON CITIZENSHIP OF THE RUSSIAN FEDERATION”

- › the grounds for recognizing a passport as invalid, cases and conditions for its withdrawal were established, and the possibility of its issuance in the form of a document other than a paper document, including a document containing an electronic medium, was enshrined;
- › the institute of revocation of the decision on admission to citizenship was excluded and at the same time the grounds and procedure for its termination were clarified;
- › the list of persons entitled to obtain Russian citizenship in a simplified procedure was clarified.

FEDERAL LAW NO. 156-FZ OF 28.04.2023

- › a foreign citizen who has a personal account on the Gosuslugi portal independently submits a notice of his/her arrival in electronic form to the migration registration authorities if the accommodation provided to him/her belongs to a Russian citizen who also has a personal account on Gosuslugi;
- › a foreigner can also submit a notification in person or electronically if he or she has concluded a contract with the receiving party to rent accommodation.



FEDERAL LAW NO. 173-FZ OF 28.04.2023

- › the zero rate of VAT may be applied when goods are sold to foreigners from foreign warehouses;
- › it is possible to apply the zero rate of VAT when selling goods exported from Russia and stored in a foreign warehouse to foreign individuals;
- › the law comes into force from January 1, 2025.

PRESIDENTIAL DECREE NO. 342 OF 12.05.2023

- › makes amendments to the Concept of State Migration Policy for 2019-2025;
- › specifies the need to take additional measures to create attractive financial, social and other mechanisms to preserve human capital and reduce population outflow;
- › it is planned to monitor and comprehensively assess the Russian labor market's demand for labor force (by constituent entities of the Russian Federation, industries and enterprises), including by professional qualification composition;
- › as an independent area of migration policy, the creation of conditions to ensure that only persons legally present in Russia can participate in civil and other legal relations in the territory of the Russian Federation.

ORDER OF THE RUSSIAN MINISTRY OF LABOR NO. 459N OF 15.05.2023

- › a list of professions of foreigners entitled to simplified admission to Russian citizenship;
- › the list includes more than 200 specialities and concerns qualified specialists.

DECREE OF THE PRESIDENT OF THE RUSSIAN FEDERATION NO. 364 OF 22.05.2023

- › Russian companies with outstanding Eurobonds will have to issue replacement bonds by the end of the year;
- › the Decree amends the procedure for repatriation of foreign currency by exporters. The document obliges Russian borrowers to replace Eurobonds with local bonds by January 1, 2024, but leaves the possibility to release from this obligation upon the decision of the Government Commission for Control over Foreign Investments in Russia.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 867 OF 30.05.2023

- › approves the procedure for travel on a reserved date and time for freight vehicles, which will come into effect on September 1;

- › from March 1, 2024, the reservation of the date and time of arrival of a truck will be made via the state system of electronic transportation documents or the Gosuslugi portal. Until that time, it will be possible to submit an application via Rosgranstroy;
- › it will also be possible to use technical means connected to the Internet, providing the possibility of reservation.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 980 OF 14.06.2023

- › simplifies the procedure for issuing opinions on industrial products which have no analogues in Russia;
- › when issuing such opinions, interaction between enterprises, expert organizations and the Ministry of Industry and Trade will take place remotely using the State Information System for Industry.

ORDER OF THE MINISTRY OF FINANCE OF THE RUSSIAN FEDERATION NO. 86N OF 15.06.2023

- › the list of offshore zones has been updated;
- › the document approves a new list of states and territories in which, in accordance with subp. 1 p. 3 of Article 284 of the Tax Code provides for a favourable tax regime or does not provide for the disclosure and provision of information when conducting financial transactions. The list of countries and territories has been expanded from 40 to 91 items.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1002 OF 19.06.2023

- › the experiment on simplified issuance of licenses and permits, which is being conducted in Russia as part of the reform of licensing and permitting activities, will last until December 31, 2024, and the number of its participants will expand;
- › the new participants of the experiment include the Ministry of Sports, the Ministry of Energy, the Ministry of Justice, the Federal Antimonopoly Service and Rosatom State Corporation.

FEDERAL LAW NO. 277-FZ OF 24.06.2023

- › administrative liability in the form of a fine has been introduced for the illegal use of foreign messengers;
- › organizations affected by the ban include: state-owned companies; state and municipal unitary enterprises; public-law companies, business entities in whose authorized capital the share of participation of the Russian Federation, a constituent entity of the Russian Federation or a municipal entity in the aggregate exceeds 50%; certain credit organizations and non-credit financial organizations; subjects of the national payment system.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1024 OF 24.06.2023

- › cash foreign currency received from non-residents may be sold not only at the exchange rate of the Central Bank of the Russian Federation;
- › this concerns cash currency received under foreign trade agreements or loan agreements;
- › previously, residents could sell foreign currency to an authorized bank at the exchange rate of the Bank of Russia on the day of sale with the subsequent crediting of the Russian currency received to their account.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1034 OF 26.06.2023 "ON CERTAIN TYPES OF GOODS IN RESPECT OF WHICH QUANTITATIVE RESTRICTIONS MAY BE APPLIED TO IMPORTS INTO THE TERRITORY OF THE RUSSIAN FEDERATION"

- › a list of goods in respect of which quantitative restrictions on imports from "unfriendly" states may be imposed from October 1 to December 31, 2023 has been drawn up. These are seeds of potatoes, wheat, rye, barley, corn, soybeans, rapeseed, sunflower and sugar beet;
- › it is determined in which cases the restrictions do not apply.

FEDERAL LAW NO. 301-FZ OF 10.07.2023

- › amendments to the Federal Law "On Protection of Competition" (the Fifth Antimonopoly Package);
- › the Fifth Antimonopoly Package is designed to improve antimonopoly regulation in the context of the development of the digital economy and to prevent and suppress monopolization of digital markets;
- › the innovations will make it possible to detect anti-market actions and cartel agreements of large marketplaces and aggregators. A ban is introduced on the abuse of a dominant position by marketplaces and aggregators if they have a significant impact on adjacent markets and their revenue for the last calendar year exceeds 2 billion roubles.

FEDERAL LAW NO. 316-FZ OF 10.07.2023 "ON AMENDING THE FEDERAL LAW "ON THE LEGAL STATUS OF FOREIGN CITIZENS IN THE RUSSIAN FEDERATION"

- › a highly qualified specialist and his/her family members are granted the right to obtain an indefinite residence permit provided that they already reside in Russia on a residence permit and have been working in the country for at least two years;
- › it is also specified that family members of HQS must now undergo a medical examination not once a year, but at the time of renewal of HQS work permit (once in 3 years).

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1133 OF 10.07.2023

- › the simplified procedure for confirming compliance of products with the requirements of technical regulations, national and interstate standards is extended for one year, until September 1, 2024;
- › the procedure applies to goods imported from abroad as well as those put into circulation within the country.

FEDERAL LAW NO. 367-FZ OF 24.07.2023

- › only organic products may be labelled with "bio" and "eco" signs;
- › according to the law, when labelling organic goods and advertising them, not only the word "organic" but also "ecological", "biodynamic" and the abbreviations "eco" and "bio" will be used;
- › at the same time, the manufacturer will be obliged to confirm the declared characteristics of its products.

FEDERAL LAW NO. 389-FZ OF 31.07.2023

- › adjusts certain provisions of the Tax Code of the Russian Federation in order to improve tax administration, including the procedure for the application of a single tax account by a taxpayer;
- › also, from July 1, 2023, operations involving the sale of tourist trips within Russia are exempt from VAT;
- › personal income tax rates of 13% and 15% (on income over five million roubles) have been set for remuneration received by remote workers who are not tax residents of the Russian Federation, who work under a contract with Russian organizations and with separate subdivisions of foreign organizations in the Russian Federation.

FEDERAL LAW NO. 406-FZ OF 31.07.2023

- › the law prohibits registration on Russian websites using foreign electronic mail services;
- › from December 1, Russians will have only four legal ways to register on such sites: via the phone number of a Russian telecom operator; through the unified Gosuslugi portal (ESIA system); through the Unified Biometric System (UBS); by means of another information system providing authorization of website users, the owner of which is a Russian citizen or a Russian legal entity.



PRESIDENTIAL DECREE NO. 575 OF 31.07.2023

- › the Decree on the cancellation of the compulsory sale of foreign currency proceeds when exporting services and works;
- › it is established that when exporting services and works under intergovernmental agreements, exporters may not sell foreign currency and transfer it to the accounts of suppliers of such services and works in Russian and foreign banks.

FEDERAL LAW NO. 414-FZ "ON EXCESS PROFIT TAX" OF 04.08.2023

- › the law establishing an excess profit tax for organizations with an arithmetic average profit for 2021-2022 above 1 billion roubles;
- › excess profit is defined as the excess of the arithmetic average profit for 2021-2022 over the same indicator for 2018-2019, and the tax rate is 10%;
- › however, if the security payment is transferred between October 1 and November 30, 2023, the tax may be calculated at a rate of 5%;
- › the excess profits tax is payable no later than January 28, 2024, is one-time in nature and is credited exclusively to the federal budget.

FEDERAL LAW NO. 422-FZ OF 04.08.2023

- › the law on blocking of funds and property of legal entities controlled by foreign organizations and foreigners in respect of which restrictive measures are applied;
- › the law establishes the rules for the application of special economic measures aimed at prohibiting financial transactions and freezing the funds and other property of blocked entities.

FEDERAL LAW NO. 451-FZ OF 04.08.2023

- › the law on the extended responsibility of producers and importers of goods and packaging to ensure the utilization of waste from the use of goods and packaging;
- › it establishes requirements for legal entities and individual entrepreneurs who carry out the utilization of waste from the use of goods, provides for the maintenance of a register of such persons, as well as the requirement to ensure the utilization of waste from the use of goods only by those persons whose information is included in the register;
- › it provides for the obligation of producers and importers of goods to ensure waste disposal in respect of 55 percent of the mass of packaging from January 1 to December 31, 2025, in respect of 75 percent from January 1 to December 31, 2026, and in respect of 100 percent of the mass of such packaging from January 1, 2027.

FEDERAL LAW NO. 470-FZ OF 04.08.2023

- › the law is aimed at facilitating the transfer to the jurisdiction of the Russian Federation of economically significant organizations;
- › the Government will determine the list of organizations. Among the criteria are annual revenue of 75 billion roubles, staff of more than 4 thousand people, asset value of 150 billion roubles, annual tax payments of 10 billion roubles. They may also be critical information infrastructure entities, city-forming enterprises, systemically significant banks, etc.

EXTRACT FROM THE MINUTES OF THE MEETING OF THE SUBCOMMITTEE OF THE GOVERNMENT COMMISSION ON CONTROL OVER FOREIGN INVESTMENT IN THE RUSSIAN FEDERATION NO. 182/5 OF 09.08.2023

- › in accordance with the protocol, restrictions on the payment of dividends to foreigners who invest in the Russian economy are relaxed;
- › foreigners will be able to be paid profits without restrictions, but the amount should not exceed the amount of investment in Russia.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1338 OF 16.08.2023

- › regulation on conducting an experiment on the use of the State Information System for monitoring the turnover of goods subject to mandatory labelling in order to ensure that goods are accompanied by documents confirming their compliance with the requirements of technical regulations. The regulation concerns bottled water, footwear, perfumes and tyres.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1375 OF 23.08.2023

- › rules for assessing the compliance of foreign investors with the criteria for issuing a residence permit in Russia under a simplified procedure;
- › the Ministry of Economic Development of the Russian Federation is authorized to carry out such an assessment;
- › upon receipt of the relevant application, the Ministry will inform the applicant of the assessment results within 30 working days.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1514 OF 16.09.2023

- › the Government has enshrined the possibility of checking the authenticity of goods using the Gosuslugi application. Technically, the service will operate through the interaction between the unified portal of state services and the state labelling system "Honest Mark". With the help of the Gosuslugi application, when buying goods, it is possible, among other things, to find out where, when and by whom they were produced, to obtain information about their weight or volume.

PRESIDENTIAL DECREE NO. 693 OF 18.09.2023 "ON EXTENSION OF CERTAIN SPECIAL ECONOMIC MEASURES TO ENSURE THE SECURITY OF THE RUSSIAN FEDERATION"

- › the document extends for 2024 the Russian food embargo on deliveries of products from countries that have imposed or supported anti-Russian sanctions;
- › the food embargo was introduced by Presidential Decree of 06.08.2014 against countries that had imposed or supported anti-Russian sanctions.

PRESIDENTIAL DECREE NO. 695 OF 18.09.2023 "ON THE SUBMISSION OF INFORMATION CONTAINED IN IDENTITY DOCUMENTS OF A CITIZEN OF THE RUSSIAN FEDERATION USING INFORMATION TECHNOLOGIES"

- › the Gosuslugi mobile application will be able to be used instead of paper documents – certificates, extracts, statements, passports – only in certain everyday cases;
- › the Government will determine the list of situations in which it will be possible to use the Gosuslugi mobile application to confirm identity or rights to perform certain actions.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1538 OF 21.09.2023

- › on October 1, Russia introduced flexible export duties on a wide range of goods linked to the rouble exchange rate;
- › the measure is temporary and is aimed at protecting the domestic market;
- › the duty will be from 4 to 7% depending on the exchange rate of the national currency. At 80 roubles per dollar and below it will be zero.

DECISION OF THE EEC COUNCIL NO. 94 OF 27.09.2023

- › until April 1, 2024, the threshold for duty-free import of goods for individuals will be 1,000 euros and 31 kg for goods transported by carrier or in mail, imported as luggage by all means of transport except air or on foot.

PRESIDENTIAL DECREE OF 11.10.2023 "ON THE COMPULSORY SALE OF PROCEEDS IN FOREIGN CURRENCY RECEIVED BY CERTAIN RUSSIAN EXPORTERS UNDER FOREIGN TRADE AGREEMENTS (CONTRACTS)"

- › the list consists of 43 groups of companies belonging to the sectors of fuel and energy complex, ferrous and non-ferrous metallurgy, chemical and timber industry, grain farming. According to the document, three main innovations are introduced: the requirement is introduced for 6 months (volumes and terms are set by the Government); the obligation to submit indicative plans-schedules for the purchase and sale of currency on the domestic market to the Bank of Russia and Rosfinmonitoring is introduced; authorized representatives of Rosfinmonitoring are introduced in certain companies to ensure compliance with currency regulation rules.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1722 OF 17.10.2023

- › adjusts the rules for the payment of the disposal fee with respect to wheeled vehicles (chassis) and trailers thereto;
- › clarifies the procedure for the payment of the disposal fee for cars imported by citizens into Russia for resale. If the utilization fee was initially paid for such a car at a preferential rate, the buyer will have to pay the amount of the disposal fee up to the full rate when reselling it.

PRESIDENTIAL DECREE NO. 844 OF 08.11.2023 "ON ADDITIONAL TEMPORARY MEASURES OF AN ECONOMIC NATURE RELATED TO THE CIRCULATION OF FOREIGN SECURITIES"

- › the Decree creates an opportunity to launch a mechanism of "exchange" of a part of foreign investors' funds blocked in Russia for frozen assets of Russians. It provides for a procedure for the sale of foreign securities owned by Russians to foreigners, including those from "unfriendly" countries, at the expense of funds that are actually blocked by these foreigners in C-type accounts in Russia.



ORDER OF THE MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT OF THE RUSSIAN FEDERATION NO. 762 OF 15.11.2023 "ON APPROVAL OF THE FORM OF THE ACT OF WASTE DISPOSAL FROM THE USE OF GOODS AND (OR) PACKAGING"

- › comes into force on March 1, 2024 and is valid until March 1, 2030. This is the first adopted document out of the currently available set of legal acts, which are being developed to follow up the law on extended producer and importer responsibility adopted on August 4, 2023.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 1953 OF 22.11.2023

- › settles questions concerning the deposit of a foreign passport of a citizen whose right to leave Russia is restricted. Such a ban may be imposed on people who have access to state secrets and "information of special importance"; when being sent for military service; if a citizen is a suspect, accused in a criminal case; convicted; a debtor; bankrupt or has reported false information when applying for a foreign passport. In addition, the exit is closed for those who have been sent a summons to the military enlistment office. If a citizen has not handed in his passport within five days, it will be made invalid.

FEDERAL LAW NO. 539-FZ OF 27.11.2023

- › the law with numerous amendments to the Tax Code of the Russian Federation, providing for increased control over transfer pricing, indexation of excise taxes and state duties, and changes in the procedure and timing of personal income tax payments;
- › the law expands the range of interdependent persons;
- › more transactions will fall under transfer pricing control;
- › the difference between the market price and the value of the transaction will be considered dividends and taxed at a rate of 15% for the beneficiary;
- › penalties for applying non-market prices will be 50% of the amount by which the transaction value was understated.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 2090 OF 09.12.2023

- › from December 11, 2023 rules are established for the inspection of passports for forgery or false information, as well as for the seizure of such documents;
- › the rules define, among other things: procedural issues related to the execution of these actions; signs of invalidity of a foreign passport of a citizen of the Russian Federation, which are grounds for its withdrawal; criteria indicating the presence of unreliable information in the passport; signs that the passport is unsuitable for further use.

FEDERAL LAW NO. 584-FZ OF 12.12.2023

- › the law from 2025 gives Rosselkhoznadzor the authority to disinfect vehicles entering the Russian Federation to protect them from contagious animal diseases. The first priority for the disinfection of vehicles are road and mixed checkpoints on the Russian-Chinese section of the state border, as well as checkpoints with Mongolia, Azerbaijan and Kazakhstan.

DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 2140 OF 14.12.2023

- › the moratorium on business inspections has been extended until the end of 2024;
- › the moratorium will apply to inspections organized by types of state control (supervision) and municipal control;
- › an exception is traditionally provided for facilities categorized as extremely high and high risk.

PRESIDENTIAL DECREE NO. 962 OF 18.12.2023 "ON THE ADMISSION OF CITIZENS OF THE REPUBLIC OF BELARUS, THE REPUBLIC OF KAZAKHSTAN AND THE REPUBLIC OF MOLDOVA TO THE CITIZENSHIP OF THE RUSSIAN FEDERATION"

- › admission to Russian citizenship is simplified for citizens of Belarus, Kazakhstan and Moldova;
- › citizens of these countries who have reached the age of 18 will not have to demonstrate knowledge of the Russian language, the basics of the country's history and legislation when applying for Russian citizenship;
- › the period of residence in Russia from the moment of obtaining a residence permit will no longer be taken into account for them.

FEDERAL LAW NO. 630-FZ OF 25.12.2023

- › the Government has been granted the right to reduce or nullify export duties on the supply of certain types of products to "friendly" countries;
- › the Cabinet of Ministers will be able to adjust the mechanisms for calculating duties on the export of goods. In some regions, the authorities are authorized to zero or reduce rates depending on geographical distance or the interests of certain territories;
- › the reduction is possible only within the tariff quota allocated to the region.

ANNEX 2.

AEB COMMITTEES AND WORKING GROUPS





INDUSTRIAL COMMITTEES

AGRIBUSINESS COMMITTEE

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BANKING COMMITTEE

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AIRLINES COMMITTEE

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COMMERCIAL VEHICLES COMMITTEE

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AUTOMOBILE MANUFACTURERS COMMITTEE

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CROP PROTECTION COMMITTEE

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FOOD PROCESSING COMMITTEE

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HEALTH & PHARMACEUTICALS COMMITTEE

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HOME APPLIANCES MANUFACTURERS COMMITTEE

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HOTELS & TOURISM COMMITTEE

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INSURANCE & PENSIONS COMMITTEE

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MACHINE BUILDING & ENGINEERING COMMITTEE

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RETAIL TRADE COMMITTEE

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CROSS-SECTORAL COMMITTEES

COMPLIANCE & ETHICS COMMITTEE

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FINANCE & INVESTMENTS COMMITTEE

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CUSTOMS & TRANSPORT COMMITTEE

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HUMAN RESOURCES COMMITTEE

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INTELLECTUAL PROPERTY COMMITTEE

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PRODUCT CONFORMITY ASSESSMENT COMMITTEE

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PUBLIC RELATIONS & COMMUNICATIONS COMMITTEE

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REAL ESTATE COMMITTEE

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SAFETY, HEALTH, ENVIRONMENT & SECURITY COMMITTEE

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SMALL & MEDIUM-SIZED ENTERPRISES COMMITTEE

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TAXATION COMMITTEE

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WORKING GROUPS

HEATING SYSTEMS MANUFACTURERS WORKING GROUP

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WORKING GROUP ON PARALLEL IMPORTS

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NON-FOOD FMCG WORKING GROUP

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WORKING GROUP ON THE REGULATION OF CHEMICAL PRODUCTS

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TOBACCO PRODUCTS WORKING GROUP

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WORKING GROUP ON WASTE MANAGEMENT

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WORKING GROUP ON LABELING AND TRACK & TRACE SYSTEM

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REGIONAL COMMITTEES

NORTH-WESTERN REGIONAL COMMITTEE

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SOUTHERN REGIONAL COMMITTEE

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AEB "GREEN INITIATIVE"

"GREEN INITIATIVE" STEERING COMMITTEE

COMMITTEE PAGE >>



