

Russia ponders the new corporate reality of 2020: is the future on- or offline?

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In the current situation, many Russian companies, especially those with foreign investment, have found they are unable to hold their annual meetings (“**Annual Meetings**”) in full compliance with applicable laws. This is due to both the recent tightening of [formal requirements for corporate resolutions](#) and new restrictions on movement, meetings and business operations in connection with the COVID-19 pandemic.

Absent vs. present

Until recently, key Russian laws on corporations (the Russian Civil Code and the laws on joint-stock companies or “**JSCs**” and limited liability companies or “**LLCs**”) required that the resolution of any matter mandatorily reserved for the Annual Meeting be passed by joint attendance only. However, on 18 March 2020 Federal Law [No. 50-FZ*](#) came into force to lift this restriction for all JSCs with effect until the end of 2020.

At law, each Annual Meeting of a JSC must resolve the following matters:

- the election of members of the board of directors, if provided for by the company's articles in its corporate governance structure;
- the election of the internal audit committee (*revizionnaya komissiya*), if provided for by the company's articles in its corporate governance structure;
- the appointment of an auditor; and
- the approval of the JSC's annual report and annual accounts.

Now JSCs are able to resolve the above matters at their 2020 Annual Meetings by an absentee vote.

“Last call” for Annual Meetings

Usually, Annual Meetings must be held no later than 30 June for JSCs and 30 April for LLCs. On 7 April 2020, Federal Law [No. 115-FZ*](#) came into force to replace these deadlines for the current year 2020 with a single 30 September deadline.

Compliance will pay off

The Russian Code on Administrative Offences establishes an administrative fine of between RUB 500,000 and RUB 700,000 (EUR 5,830 to 8,165) on legal entities that fail to hold their Annual Meeting in accordance with applicable laws.

In addition, the company's CEO and other executives may be fined between RUB 20,000 and RUB 30,000 (EUR 235 to EUR 350).

Free from net asset testing

Generally, the net assets of any JSC or LLC must be equal to or above the level of its charter capital as at the end of each of the last two financial years (or any three years since incorporation). If a company fails to meet this requirement, it must decrease its charter capital to the actual level of its net assets. Otherwise, the company may have to be wound up.

However, Federal Law No. 115-FZ exempts FY2020 from this net asset-testing requirement.

Next: extending the “remote working plan” or opening a new horizon?

Turbulent times have made it necessary for Russian authorities to take measures, including in the area of corporate law.

It is yet to be seen to what extent these measures will enable Russian companies to function properly and to carry on with the corporate procedures required to preserve and protect the interests of their investors.

However, two facts are clear. First, we can see a tangible spike of interest in finding new, but one-off or limited-in-time solutions to relevant issues. Second and more importantly, the current environment presents new

opportunities for developing a whole new market of technologies (e.g. e-voting platforms that are already developing and have become even more relevant for general meetings of companies). Such a market could bring about a tectonic shift that is potentially key to synchronising with the relevant new trends in the global economy.

If you have any questions on this eAlert, do not hesitate to contact CMS Russia experts [Vladimir Zenin](#), [Elizaveta Rakova](#) or your regular contact at CMS Russia.

CMS has created a Coronavirus Hub dedicated to the issues raised by the COVID-19 pandemic, which is available [here](#). This hub gives you full and permanent access to content created by CMS Russia lawyers and CMS offices around the world in response to the crisis. The hub is updated regularly.

We are available at all times to address any requests or difficulties you may have on a one-to-one basis. You can be in immediate contact with our experts by emailing cmsrussia-coronavirus@cmslegal.ru.

* *In Russian*

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