

AEB North-Western Regional Committee

**“It's all about money: Financial
outlook 2017 - update for
successful business”**

9 February, 2017

***St. Petersburg,
Consulate General of Sweden***

Erik Hammarsköld,

Consul General of Sweden in St. Petersburg

Opening Remarks

Torsten Erdmann,

Commerzbank (Eurasija) AO

**Member of the Steering
Committee of the AEB North-
Western Regional Committee**

Opening Remarks

Olga Lapshina,

Nordea Russia

Russian economy – waiting for the growth

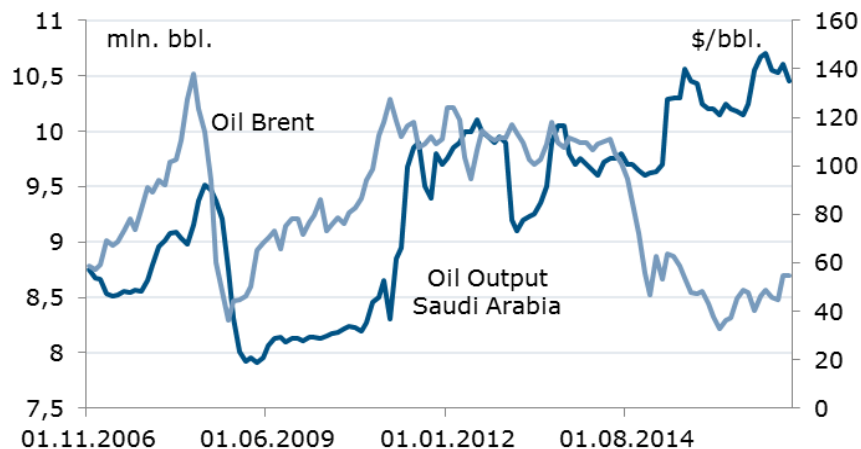


Nordea

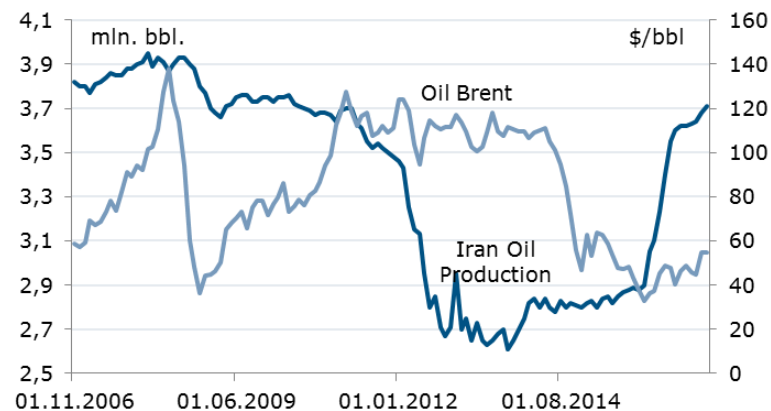
- **OIL: all eyes on OPEC**
- **“Tramponomics” – what is the impact on Russia**
- **Rates: cheap money era is coming to an end**
- **RUSSIA GDP and industrial production: trying to recover**
- **BOP: CA moving towards zero?**
- **Government finance: significant budget deficit stays for longer**
- **Inflation: long way toward 4%**
- **The RUB: 2017 forecast**



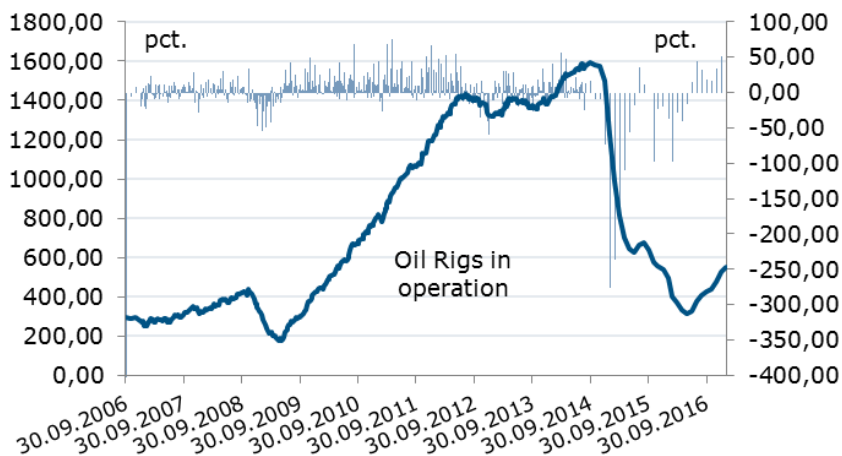
OIL MARKET. INCREASE IN US OIL RIGS IN PROCESS, OPEC'S PRODUCTION IS ON HIGHS



Source: Reuters, Nordea



Source: Reuters, Nordea



Source: Reuters, Nordea

In 2016 Iran recovered the pre-sanction volume of oil output.

The US oil rigs number has been growing since the beginning of June.

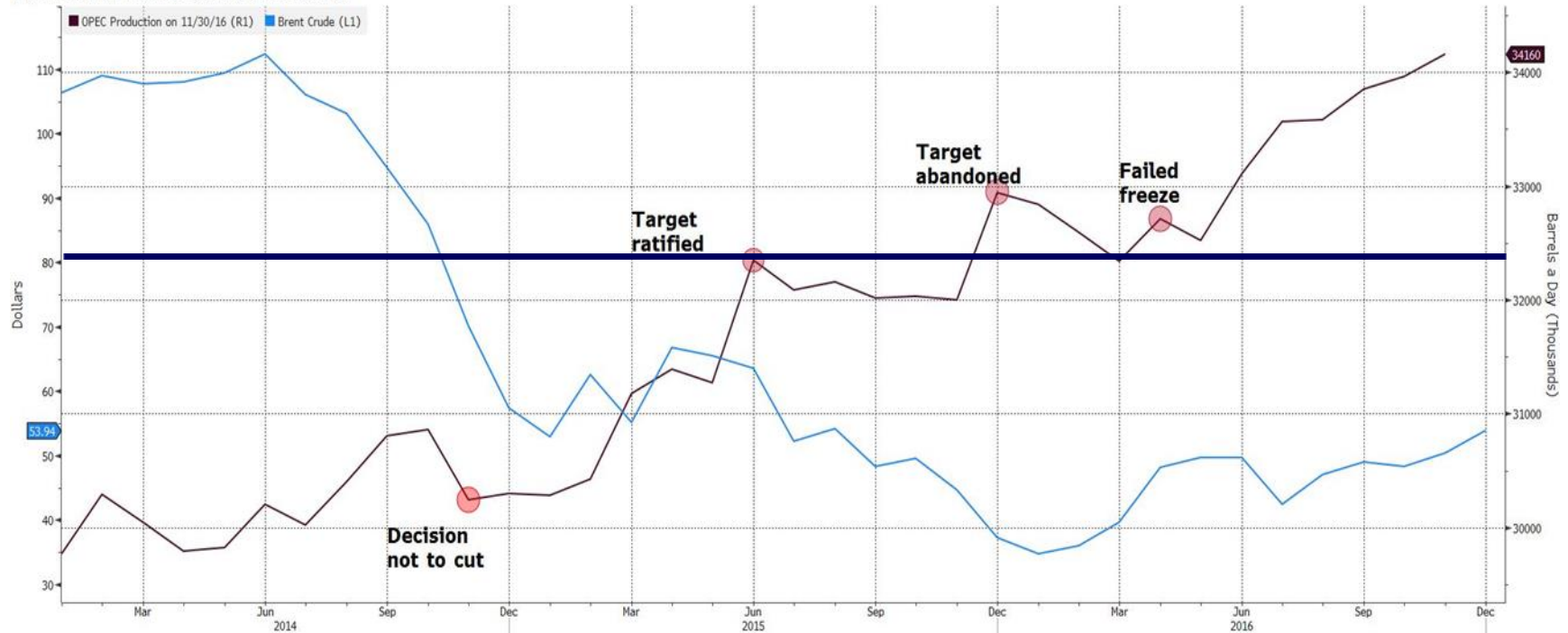
OPEC oil output was at the highest levels.

OIL production cut agreement is being executed, according to first estimations in January 2017.

OIL MARKET: ALL HOPES ARE ON OPEC AND NON-OPEC PRODUCTION CUT

High Road, Low Road

OPEC's output has risen steadily, while prices stayed low



OPCRTOTAL Index (Bloomberg Total OPEC Crude Oil Production Output Data) opec Mon

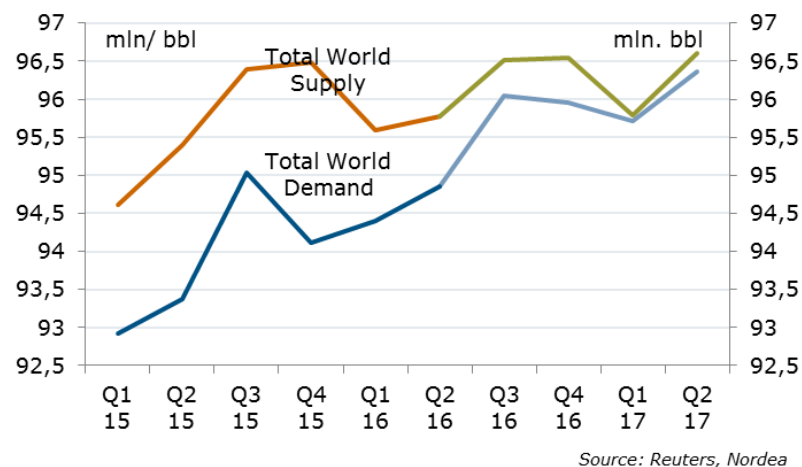
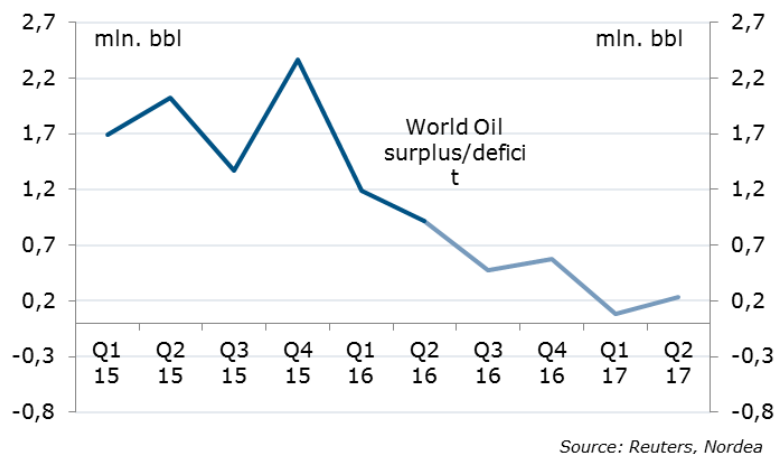
Copyright© 2016 Bloomberg Finance L.P.

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OIL MARKET: ALL HOPES ARE ON OPEC AND NON-OPEC PRODUCTION CUT

Russia budget for 2017 plan implies oil price on 40 \$/bbl level. The Central Bank basic forecast is based on the same price level

All hopes of the market are in favor of a scrupulous execution of the oil production cut agreement by all the countries involved. Latest available market data showed that the agreement has been executed.



Trumponomics – potential economic themes

BIG FISCAL STIMULUS

- **Personal and corporate tax cuts** - Cost of Trump's tax plan: roughly USD 4trn over ten years, or 2% of GDP annually. Top personal tax rate: 39.6% -> 33%. Corporate tax rate: 35% -> 15%. One-time 10% tax on repatriated corporate earnings held abroad.
- **Increased infrastructure spending** - Trump's infrastructure plan: USD 1trn in additional spending over ten years, or ½% of GDP, most of it privately financed encouraged by tax credits and usage fees such as road tolls.



Growth – due to boost to aggregate demand while full employment a big fiscal stimuli risks boosting inflation.



Interest rates - Fiscal easing would boost federal budget deficit and debt. Would also force the Fed to raise rates more aggressive. Steepening yield curves due to higher inflation expectations.



USD – due to US growth, repatriation flows and more Fed tightening.

PROTECTIONISM – TRADE WAR – END OF GLOBALISATION

- **Tariffs on imports from China and Mexico**, 45% and 35% respectively. Potential first step in such move would be to label China a currency manipulator. Trade policy is an area of greater presidential discretion.
- **Renegotiation of NAFTA**, possible withdrawal from WTO, TPP and TTIP trade deals likely dead.
- **Deport 11 million illegal immigrants** (of which 8 million in labour force, equal to 5% of labour force) and limit legal immigration. Build a wall to Mexico. Would put upward pressures on wages.



Growth - due to higher US import prices and hence real income loss, disruption to global supply-chains and weaker sentiment. The hit to growth would depend on the extent to which trading partners retaliate.



Interest rates – structurally higher inflation. Also fears of China dumping US Treasuries as part of escalating trade war could push market rates higher.



USD – initial/medium term increase due to increased rates while weakening in long term due to decreased spending/growth.



EM – negative outlook given dollar denoted debt, leading to capital outflow and counteractions to strengthen the local currency.

Deregulation

- Trump called for full repeal of Dodd-Frank. Trump would need support from Democrats in Senate
- Basel 4 challenged

Euro/EU breakup

- Populist/anti-establishment movements.
- In future elections anti-Euro/EU parties might come to power. Bond purchases by the ECB might not be enough to calm markets.

Political take-over of central banks

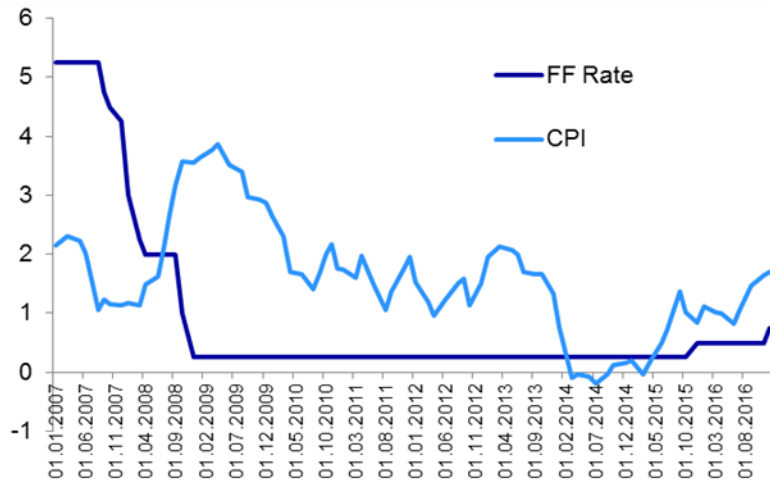
- Replace Yellen as Fed Chair in 2018
- Support the "Audit the Fed"
- Political interference with monetary policy likely to worry investors

Geopolitical instability

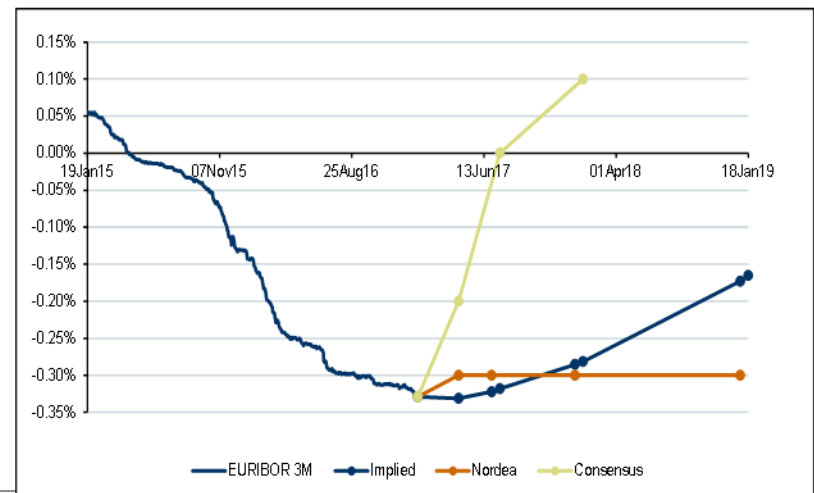
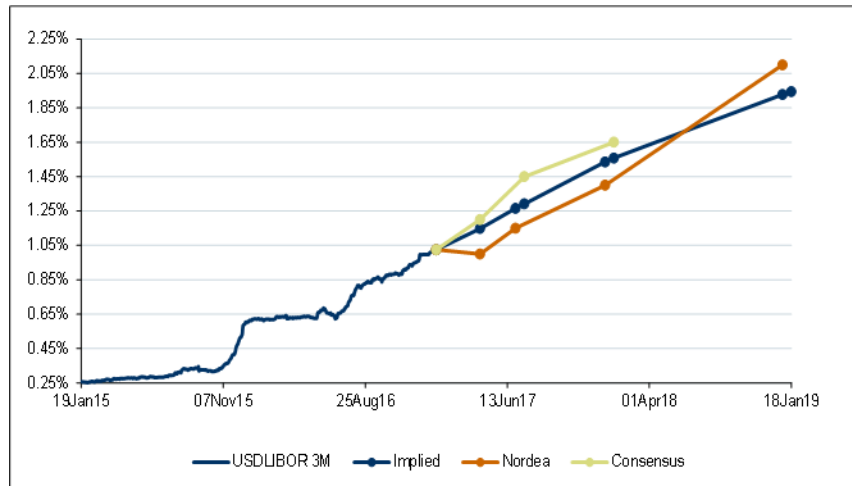
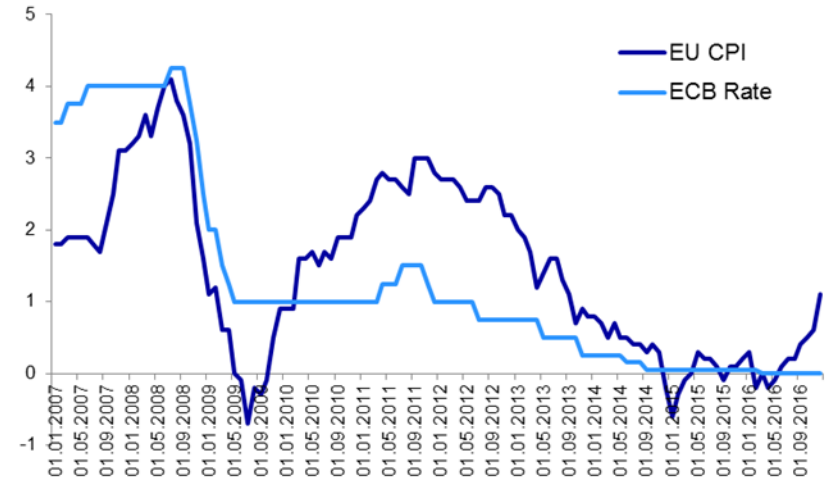
- Renegotiation of trade agreements and diminished US commitments to e.g. NATO would increase geopolitical instability

CHEAP MONEY ERA IS COMING TO AN END

Federal Funds Rate and Libor USD

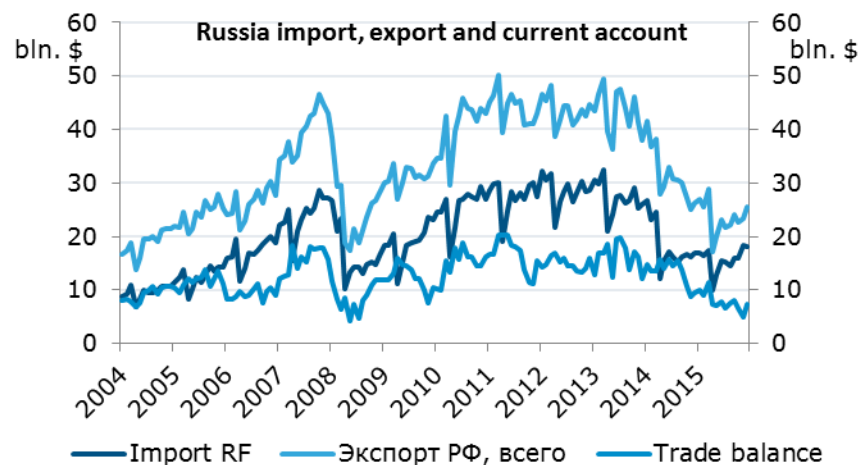


ECB Rate and Euribor

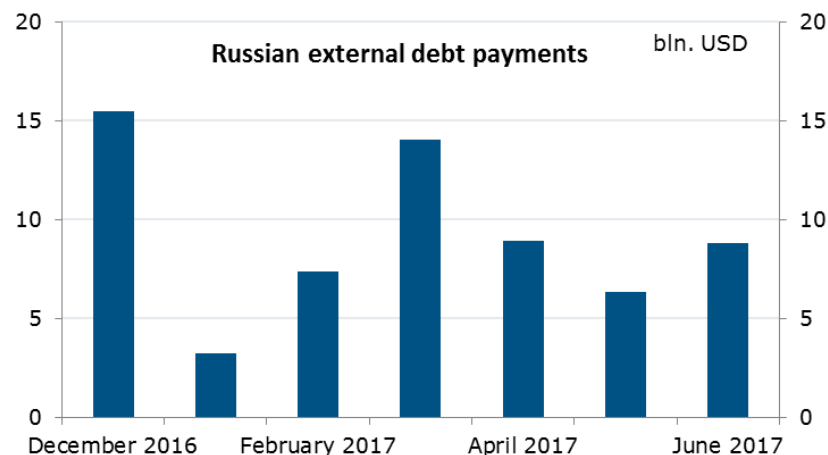


BALANCE OF PAYMENTS. Moving toward zero?...

- Russian trade balance surplus is shrinking due to the export fall and import stagnation, **however staying on the positive territory.**
- Current account also stays positive. In case RUB shows additional appreciation, import figures may continue to rebound. We expect the current account balance to **stay slightly positive in the foreseeing future.**
- Capital outflow is showing a decrease, balancing the fall in CA. **External payments during the next 6 months are moderate,** according to the most recent CB's estimation (see Graph).
- CBR reserves continue to rise as a decrease in CA is balanced with capital outflow sharp fall. According to the statistics CBR gold and currency reserves account for 385 bln. USD. **In 2017 the Central Bank may start to replenish reserves, providing FX interventions on the open market.**



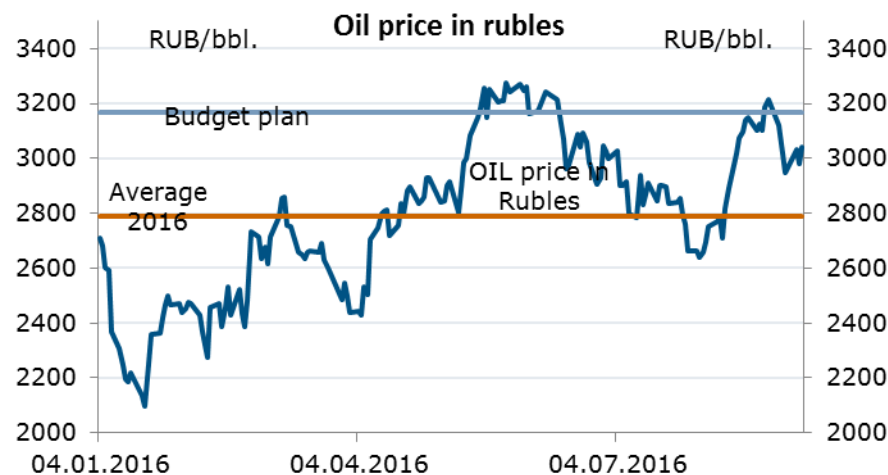
Source: Reuters, Nordea



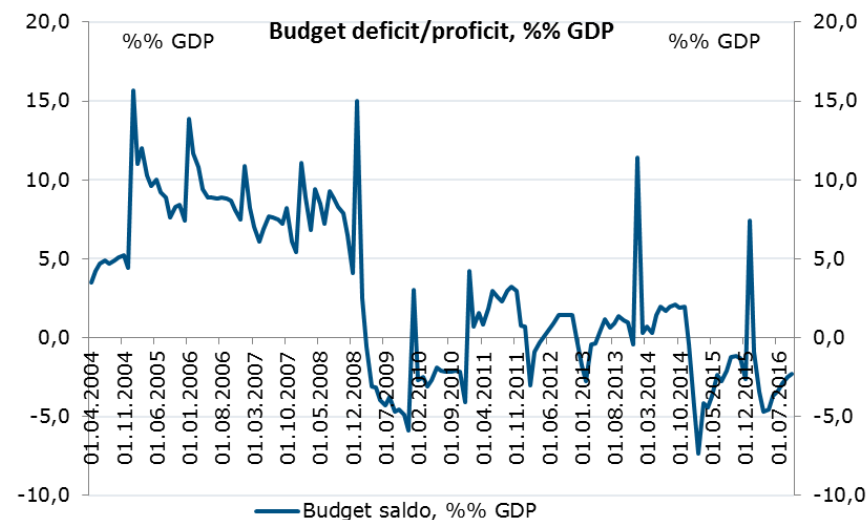
Source: CBR, Nordea

BUDGET DEFICIT IS SIGNIFICANT.

- Russian State budget revenues execution during 2016 were significantly lower than in 2015, but it narrowed in December and was just 200 bln. RUB lower than in 2015.
- **The reason for poor budget performance - a lower actual oil price, calculated in rubles, compared with its planned value, embedded in the initial budget plan.** As a result the Ministry of Finance was forced to increase the Reserve Fund usage. **By the end of the 2016 the Fund accounted for only approx. 1 trln RUB vs 3,6 trln RUB at the beginning of the year.**
- **In the beginning of 2017 the oil price in RUB have risen to 3300 RUB/bbl. Which is good from the side of budget deficit perspectives. As a result the deficit may fall to 2,4% vs 3,0% planned initially in the Budget Law.**



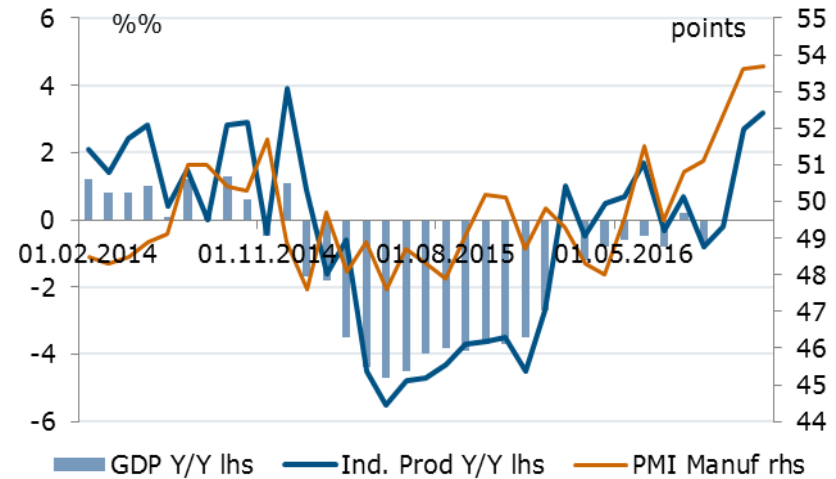
Source: Reuters, Nordea



Source: Reuters, Nordea

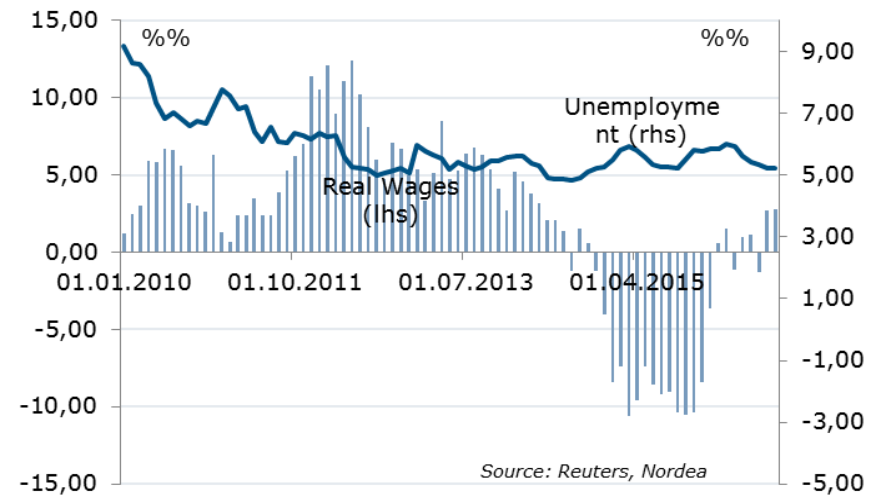
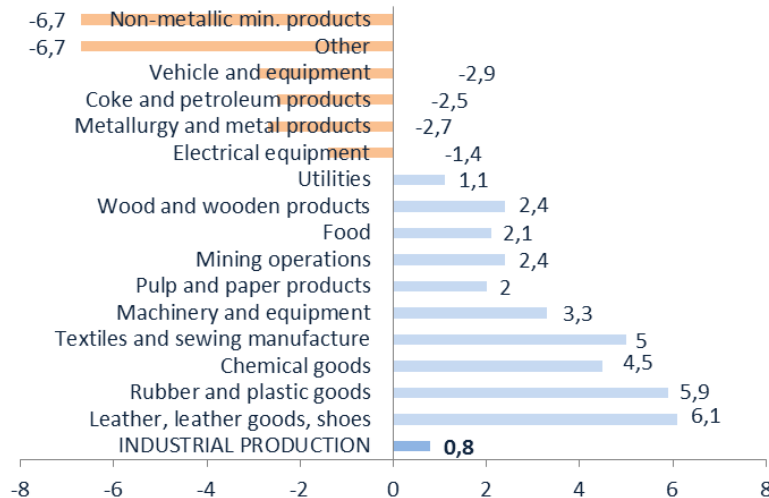
GDP AND INDUSTRIAL PRODUCTION. Trying to grow.

- The end-of-year 2016 GDP dynamics estimated at **-0.5%** level. In 2017 a moderate GDP growth of **1,1%** is expected.
- Russian industry is showing unstable recovery - **growth is mostly concentrated in light industry and the segment of machinery**, which has a potential to develop owing to the international sanctions against Russia. This tendency is likely to continue while Russia is staying under international sanctions.



Source: Reuters, Nordea

Industrial production in Jan.-Nov. 2016, yoy



Source: Reuters, Nordea

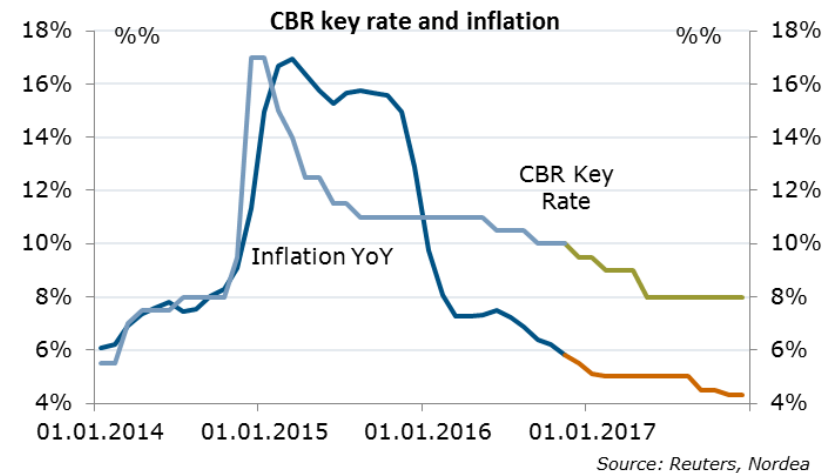
INFLATION: on the way to 4%...

Until the end of 2017 annual inflation can show a decline to the level of 4,0-4,5%%. **It will force the Central Bank of Russia continue the key rate easing cycle in 2017 and 2018.**

By the end of 2017 the key rate may reach 8,0%, even though the CPI rate is expected at 4-4,5%% level. . A downward trend in key rate may continue in 2018 if the CPI rate is stabilized at the level close to 4% level.

The monetary policy in 2017 will remain relatively tight as the regulator fears that the current CPI decreased may be caused by temporary factors.

The Ministry of Finance has taken a decision to increase the volume of net placement of government debt for 1 trln rub in 2017. The main purpose is to finance the budget deficit. We consider this decision as a part of the counter-inflation policy.



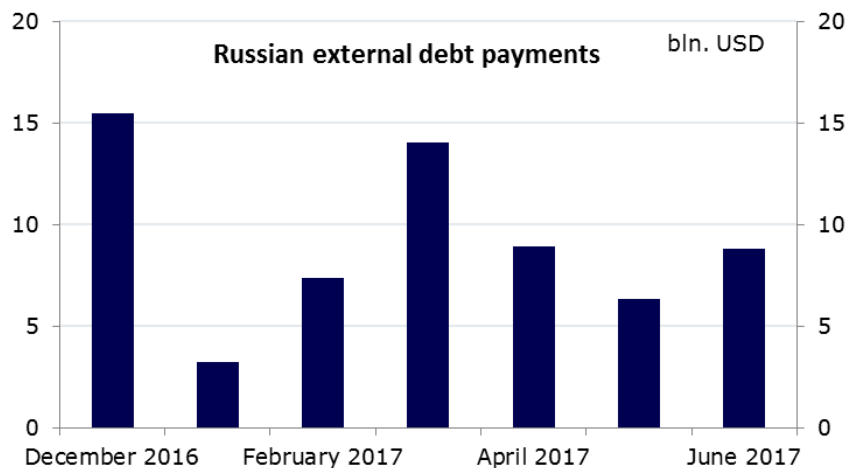
RUB FORECAST

Our RUB forecast for 2017 is based on Nordea in-house oil price estimations and other factors like budget estimations and external context.

In 2017 we expect the RUB at 59-60 levels vs USD and at 63-64 vs EUR.

A possibility of lifting sanctions against Russia after new US President Donald Trump was inaugurated in January 2017 increased, but still it is not our base scenario. If sanctions are lifted the RUB may appreciate to 56-57 level vs USD or even deeper as the first reaction.

In March 2017 we have a local peak of external payments, that may cause a slight weakening of the RUB.



Source: CBR, Nordea

Nordea Oil forecast

	Q1	Q2	Q3	Q4
2016	35	47	47	50
2017	53	56	58	59
2018	60	61	63	64

	2014	2015	2016	3M	6M	2017
Oil \$/bbl	55,5	37,6	45,13	53	58	57
GDP	1,1	-3,5	-0,6	0,4	0,5	1,1
CPI %	11,4	12,9	5,4	5	4,5	4,3
Key Rate	17	11	10	9,5	8,5	8
RUB/USD	58	72,9	61,2	60	60	63

*Source: Nordea

NORDEA RANKED A TOP ROUBLE FX FORECASTER IN 2016

Russian Rouble FX		
Rank	Contributor	Score
1	Nordea Bank	2.23
2	Saxo Bank	1.85
3	Informa Global Markets	1.49
4	Bank of Tokyo Mitsubishi UFJ	1.47
5	IHS Markit	1.46
6	Wells Fargo	1.12
7	Danske Bank	1.05
8	Finometrica	0.87
9	Commerzbank	0.85
10	ABN AMRO	0.84

** Also top forecaster in 2015*

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Thank you!

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Association
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Businesses

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Skandinaviska Enskilda Banken (Russia)
FX Risk management

February 9th, 2017

FX Risk

Where does it come from?

How to manage?

Instruments

Typical mistakes

Where does it come from: sources of FX risk

<i>Obvious cases</i>	<i>Implicit cases</i>
X-border payments in foreign currency <ul style="list-style-type: none">• You pay in foreign currency• You receive payments in foreign currency	Domestic operations in RUB <ul style="list-style-type: none">• You pay in RUB• You receive payments in RUB BUT: <ul style="list-style-type: none">• Payment amount is linked to FCY rate (Central Bank reference rate)• Price can be revised every... (week, month, quarter and etc. or due to some event)

How to manage (1)

Straight-forward tools, but hard to implement:

- ✓ “Risk-sharing” (e.g. RUB invoicing)
- ✓ Natural Hedge: identify/create opportunities

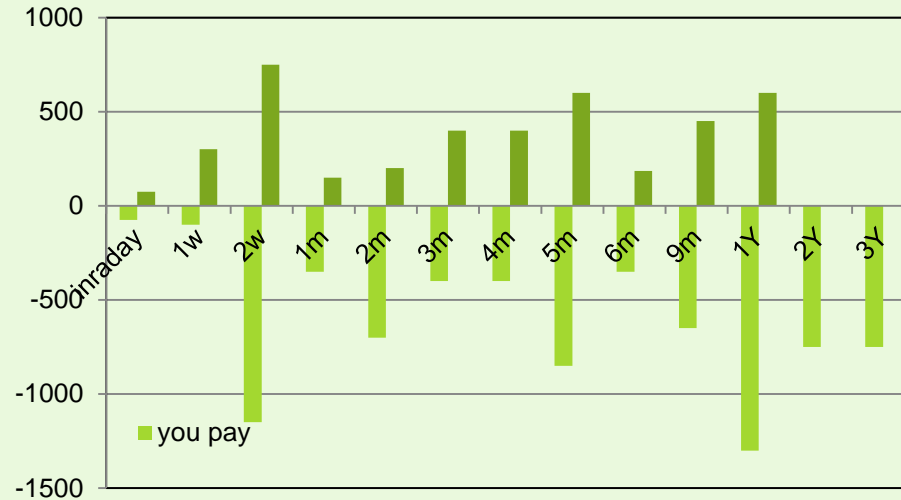
OR

Devise a hedging policy:

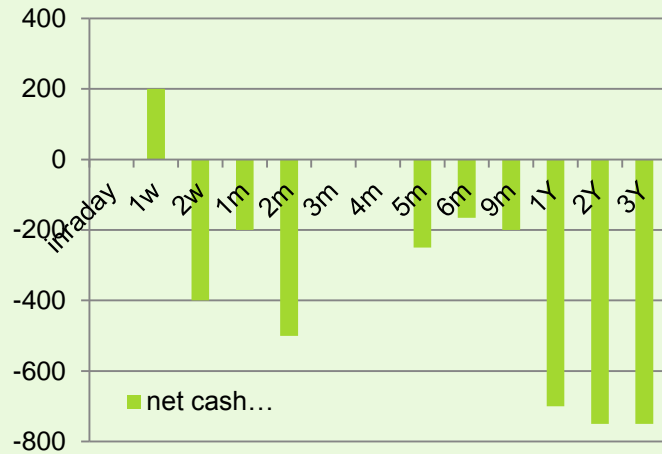
- ✓ Accurate cash flow analysis by currency and period
- ✓ Incorporate your business plan numbers
- ✓ Do regular sensitivity analysis/scenario simulations (what if analysis)
- ✓ Ex-ante and ex-post analysis of hedging results against forecasts

Typical mistakes

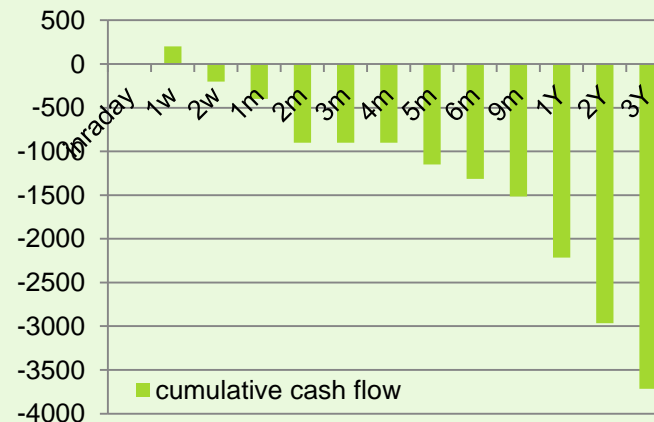
cash flow



net cash flow



cumulative cash flow



FX forecasts and FX forwards prices (as of 06 Feb 2017)

	1m	1Q-17	2Q-17	3Q-17	4Q-17
EURRUB SEB forecast	65,34	66,55	64,66	65,10	65,41
EURRUB forward	63,80	64,23	65,85	67,44	68,82
difference (forecast - FW)	1,54	2,32	-1,19	-2,34	-3,41
	1m	1Q-17	2Q-17	3Q-17	4Q-17
USDRUB SEB forecast	60,50	60,50	61,00	62,00	63,50
USDRUB forward	59,38	59,72	60,93	62,09	63,07
difference (forecast - FW)	1,12	0,78	0,07	-0,09	0,43

Instruments

FX Spot transactions

- ❑ Today (T+0)
- ❑ Tomorrow (T+1)
- ❑ Spot (T+2)

FX Spot orders

- ❑ Stop loss / Take profit
- ❑ Separate or linked to each other
- ❑ Specific life time or good till cancelled
- ❑ Fixings (CBR, MOEX , etc.. benchmark rates)

FX Forwards and FX Swaps

Non-deliverable FX forwards (NDFs)

FX Options

Execution via:

e-bank, phone, bank's online platform, Reuters, Bloomberg

Typical mistakes

- ✓ Missing natural hedge opportunities
- ✓ Lacking a clear hedging purpose and corresponding hedging policy
- ✓ Missing FX exposure impact analysis when setting prices or signing contracts
- ✓ Financing short-term working capital by loans in foreign currency



Thank you! Questions?

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Latest developments in ECA-covered Export Finance

AEB North-Western Regional Committee
Saint Petersburg, February 9th 2017

1. Commerzbank

Commerzbank AG at a glance



Facts and figures

- Balance Sheet total YE 2015 EUR 533 bln
- Operating profit: 1.9 bln (YE 2015)
- Investment rating "A-" from S&P, "BAA1" from Moody's and "A+" from Fitch
- Employees: 51.300
- About 1 million corporate clients across the globe
- Over 1100 branches in Germany – the biggest retail network in Germany

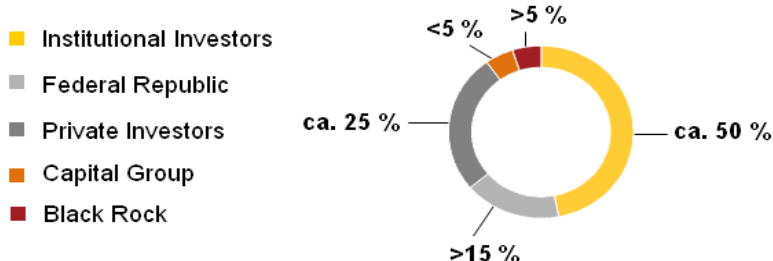
A bank with tradition of more than 140 years

- Founded in **1870** on February 26th by merchant and bankers to support trade
- **1905** Take over of Berliner Bank, the former building of Berliner Bank becomes the new headquarter
- **1971** first German bank to open a branch in USA
- **1976** opened a representative office in Moscow
- **1997** inauguration of new tower in Frankfurt designed by English star architect Norman Foster
- **1999** Commerzbank opens a subsidiary bank with full Central Bank Russia license
- **2008** Commerzbank announces acquisition of Dresdner Bank
- **2013** Commerzbank celebrates 20 years in Russia as a subsidiary bank



Overview – The Commerzbank share

Shareholder structure of Commerzbank as of July 31, 2015



 **Our goal – the leading bank for corporate clients in Europe**

Commerzbank in Russia

- › All commercial obligations backed up by Commerzbank AG, our 100% shareholder
- › Presence in Russia since 1976
- › Subsidiary bank is licensed by the Central Bank of Russia since 1993/1999 (Dresdner Bank / Commerzbank)
- › Member of local clearing systems and currency control agent
- › Branches in Moscow and St. Petersburg, ability to serve clients all over Russia
- › Core Business – Corporate Clients



Moscow

St. Petersburg






Why Commerzbank?

- › International standards of products and services + Russian expertise
- › Dedicated Relationship Manager to address and coordinate all Client's needs
- › Tailor made solutions at competitive prices including financing terms
- › Global vision in client relationship: perception of the Client within the Group framework

 **Our mission is to provide European service to international clients in Russia**

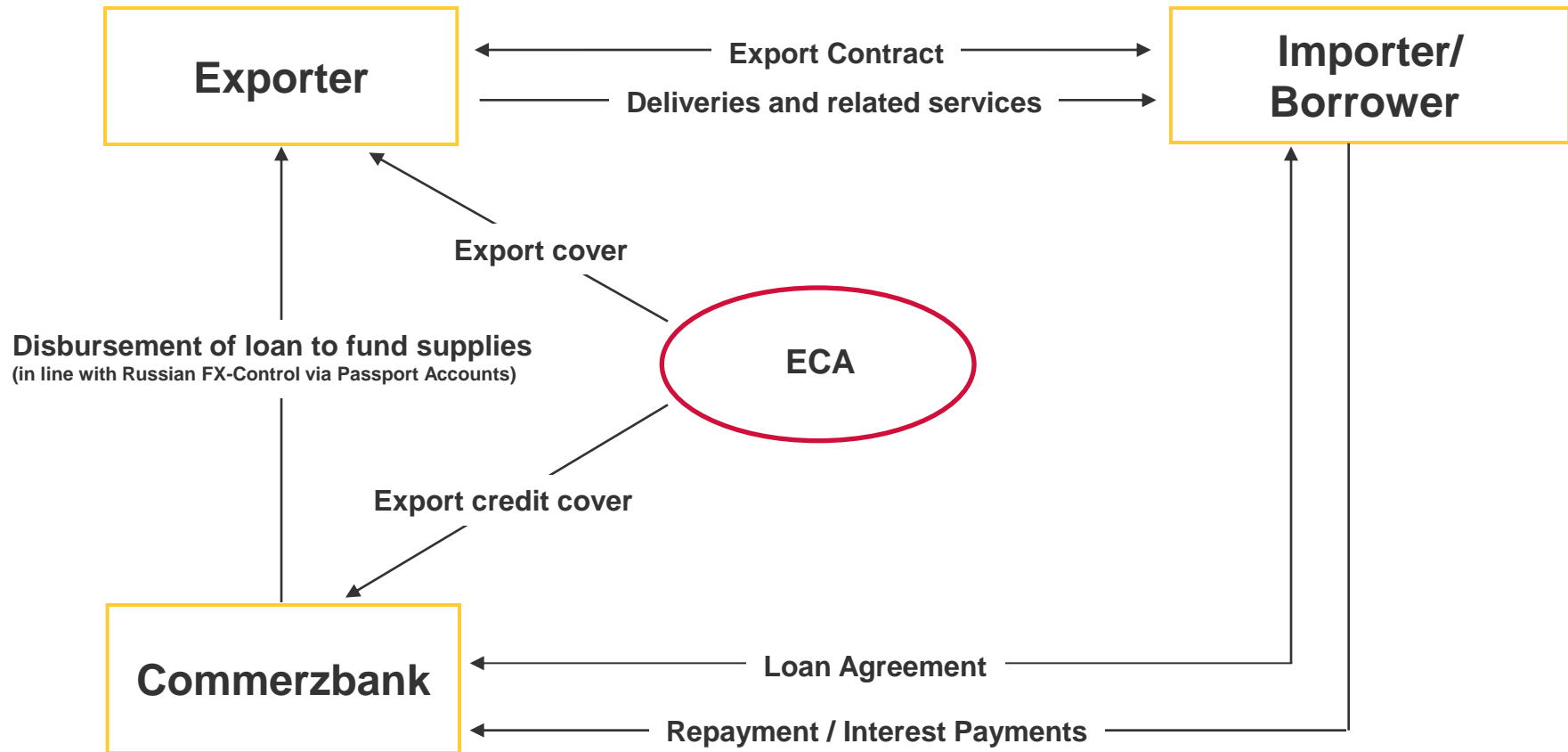
2. Commerzbanks ECA-covered financing in Russia

ECAs Commerzbank has worked with

	Austria:	OeKB		Italy:	SACE
	Belgium:	Delcredere		Luxembourg:	ODL
	Canada:	EDC		Netherlands:	Atradius
	Czech Republic:	EGAP		Sweden:	EKN
	Denmark:	EKF		Switzerland:	SERV
	Finland:	FINNVERA		Spain:	CESCE
	France:	COFACE		United Kingdom:	UKEF
	Germany:	EULER HERMES		United States:	US-EXIM
	Japan:	NEXI		Australia:	EFIC

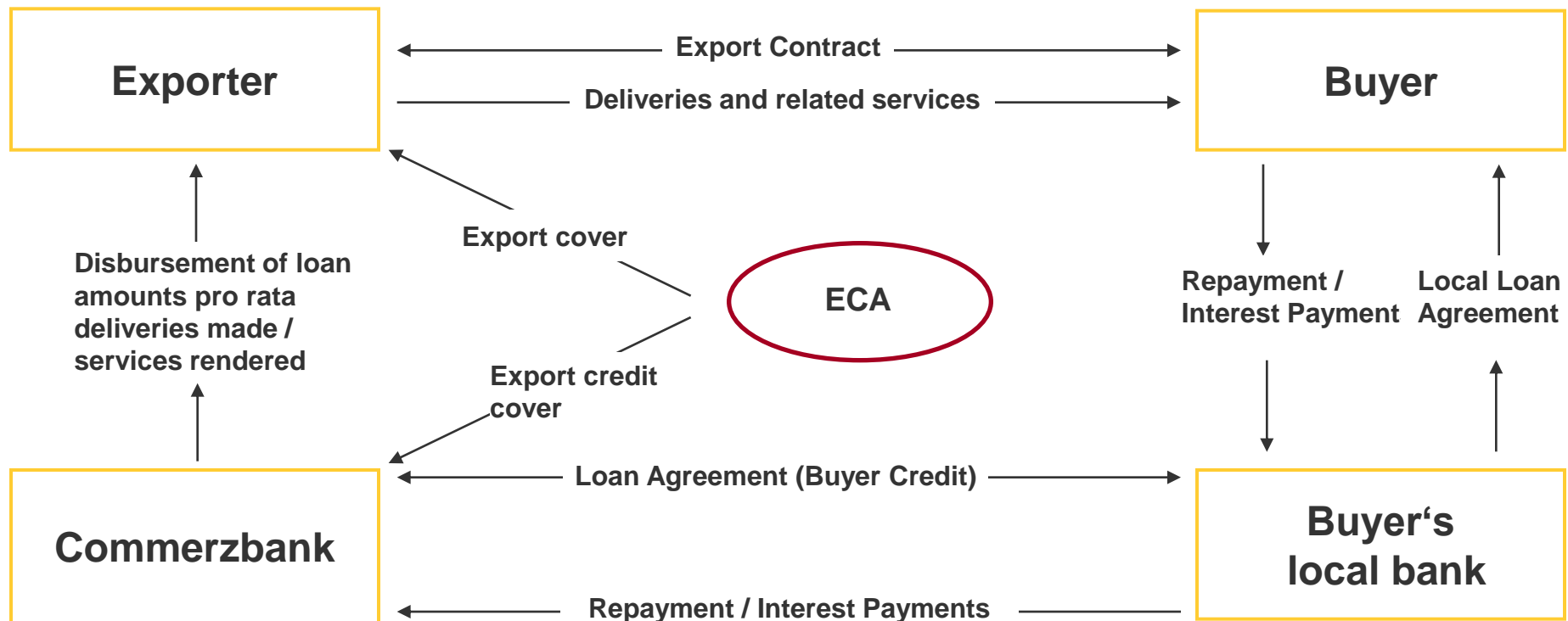
ECA-covered Buyer Credits

Contractual structure for corporate financings



ECA-covered Buyer Credits

Contractual structure for bank-to-bank financings



3. Demand by Russian Corporates and Banks

Tier 1 - Corporates

- › They have IFRS-Numbers, publish them regularly, are registered on a Stock Exchange and make available to the general public all information necessary to understand financial standing and business model
- › Corporate Governance, in particular regarding KYC-requirements, comparable to corporate governance of multi-national corporations
- › Significant share of their revenues in exports, i.e. currency risk is remote
- › General access to local and international commercial financing
- › However, in particular political crisis showed that access to long-term financing cannot be taken for granted
 - ECA-Financing cannot solve general financing needs, but is considered as tool to diversify debt portfolio
 - In case of big projects, large Russian corporates require ECA-covered financing as a condition to award contracts to foreign suppliers
 - ECA-covered Financing still providing tenors not available from the private market



Tier 2 - Corporates

- › There are a number of Tier 2 –Companies, which are not publicly listed, but qualify otherwise for international financing since IFRS-Numbers are available and ownership is transparent.
- › Nevertheless, they often produce for the local market, therefore they depend on economic environment in Russia and are more exposed to exchange rates of the RuR
- › Generally no permanent relationship with international banks, as business volume is too small
- › ECA-covered financing can be key for success
 - Interest among corporates high, simply as they can start relationships with international banks
 - Motivation of international banks often low, simply as increasing the business volume is difficult; interest of supplier must be evident

Banks

- › In 2015 and 2016 there was high interest among the Russian banks, simply as other long-term funding alternatives were not available on the market
- › Especially large projects were funded by ECA-covered facilities
- › The situation changed significantly, Russian banks have sufficient own liquidity, i.e. they have alternative funding now

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Raiffeisen-Leasing

LEASING MARKET IN RUSSIA. FINANCING OF LOCALIZATION OF PRODUCTION.



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в отношении

**Anna Korkunova, PhD in Economics
Head of Raiffeisen-Leasing Branch in
St. Petersburg**

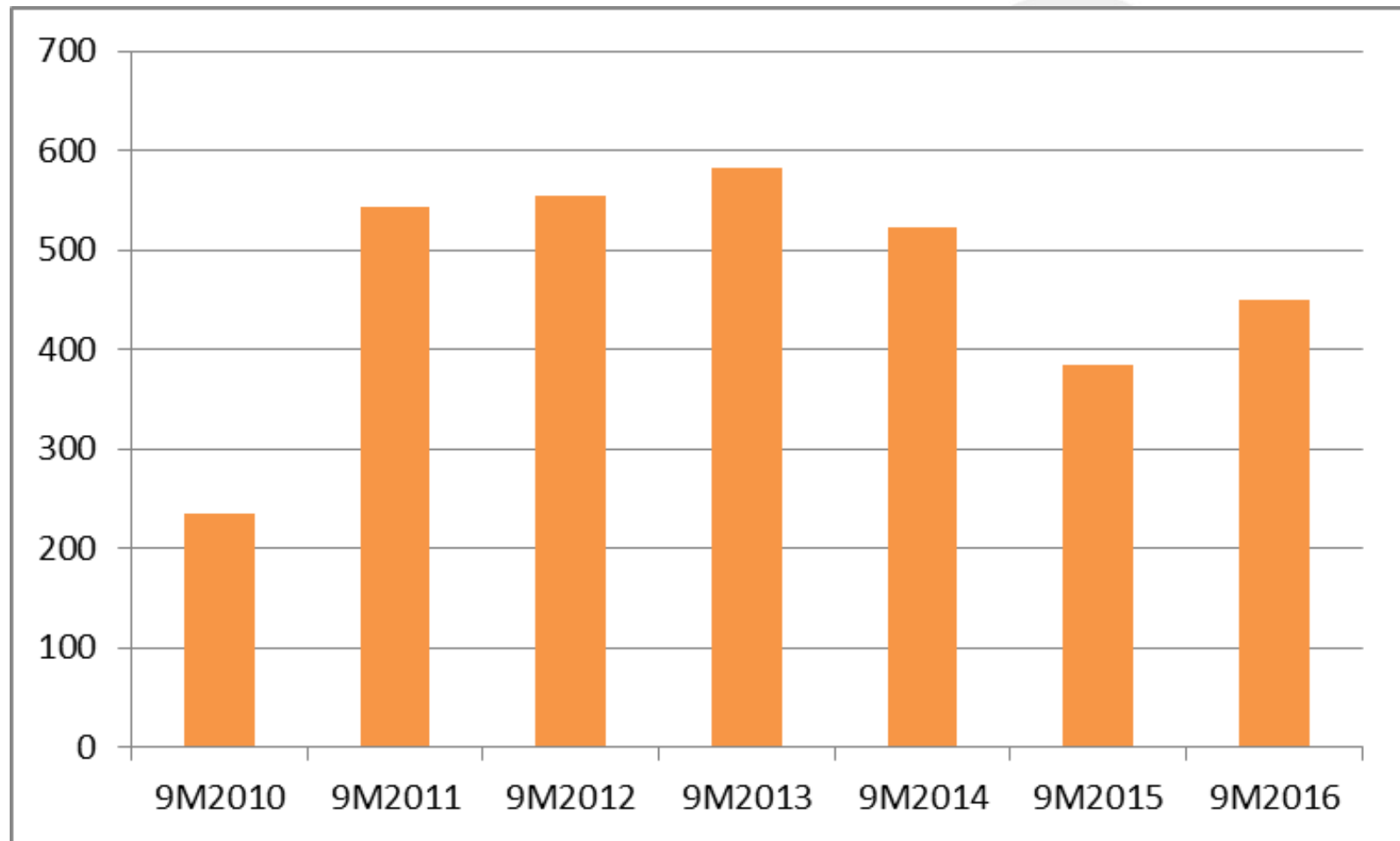
PRESENTATION OUTLINE

1. Overview of leasing market in Russia.
Current trends.
2. Government regulation and support programs.
3. Changes in legislature and macroeconomics and effect on leasing market opportunities.
4. Benefits of leasing.
5. Information about Raiffeisen-Leasing.

History of the leasing market in RF

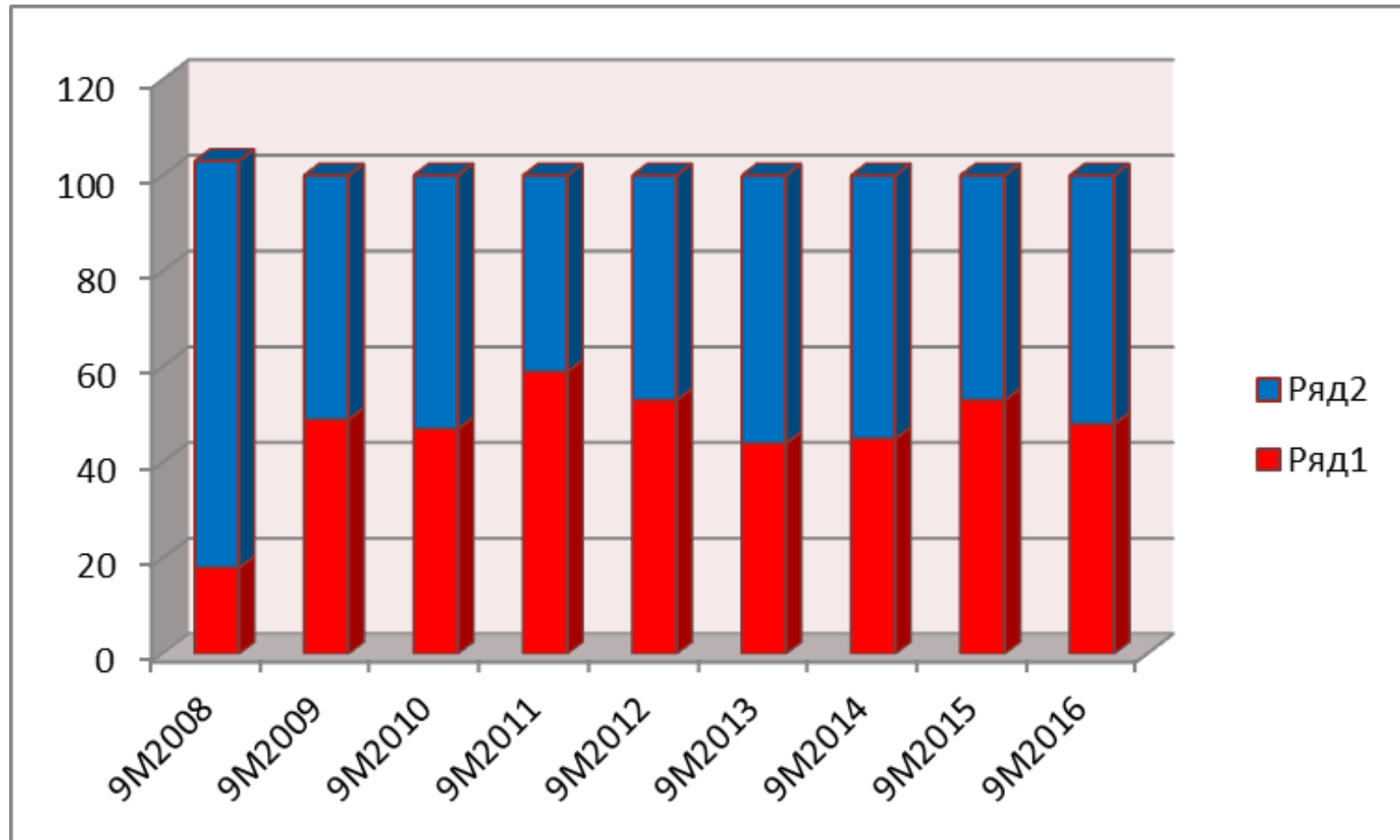
- First companies in 1990-ies
- Official start in 1998 – Federal Law about Leasing: fixing of leasing benefits: accelerating depreciation and allocation of lease payment to costs of production
- 2003: ~115 leasing companies, NB 1.8 mlrd. USD
- 2016: ~ 375 leasing companies, NB (9M16) 6.7 mlrd. USD
- Companies: state owned, bank captive, vendors captive, with foreign capital, universal, specialized

Dynamics of RF leasing market volumes, mlrd. rubles



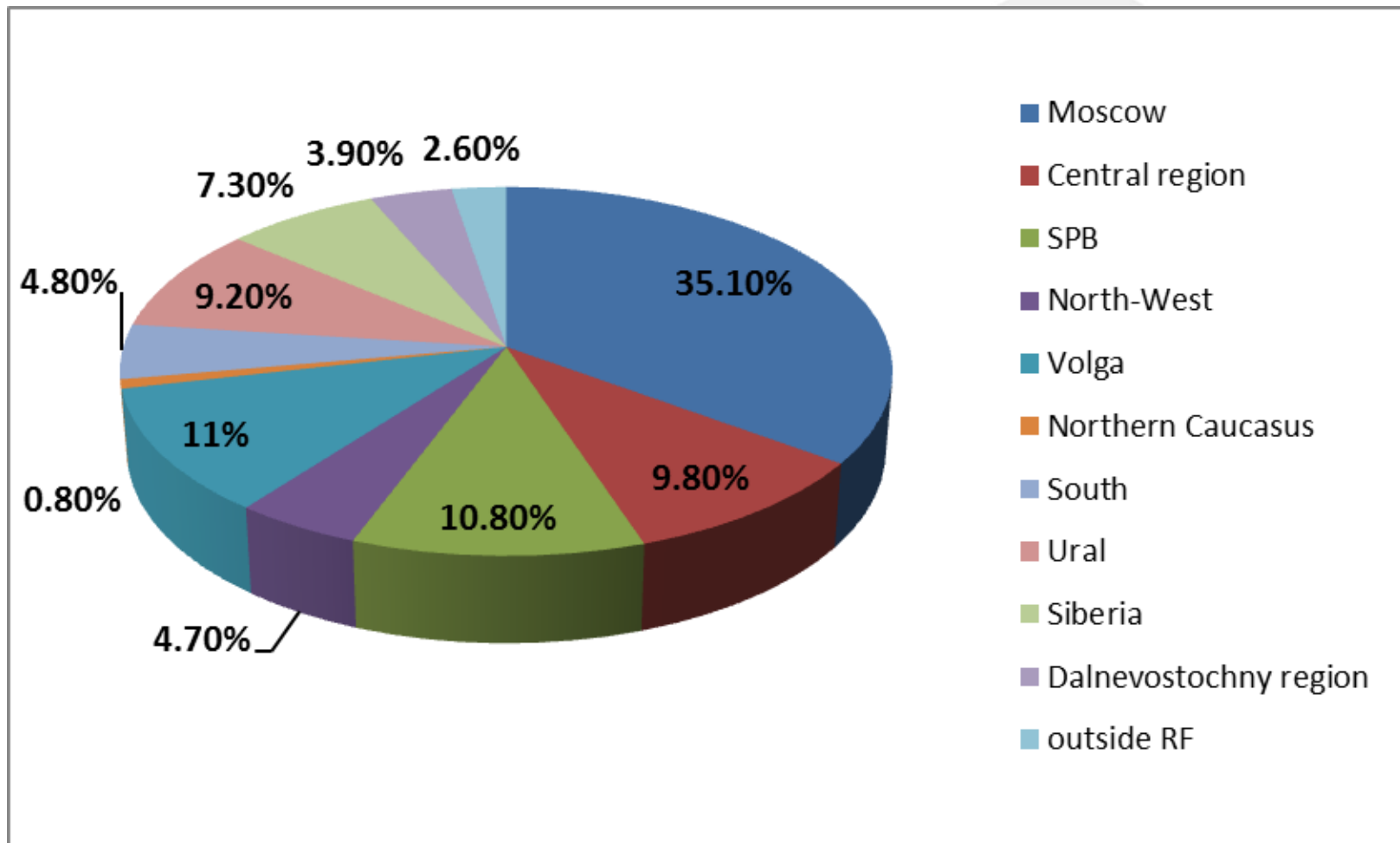
Expert RA, 9M2016

Independent vs. State companies (% of market share)



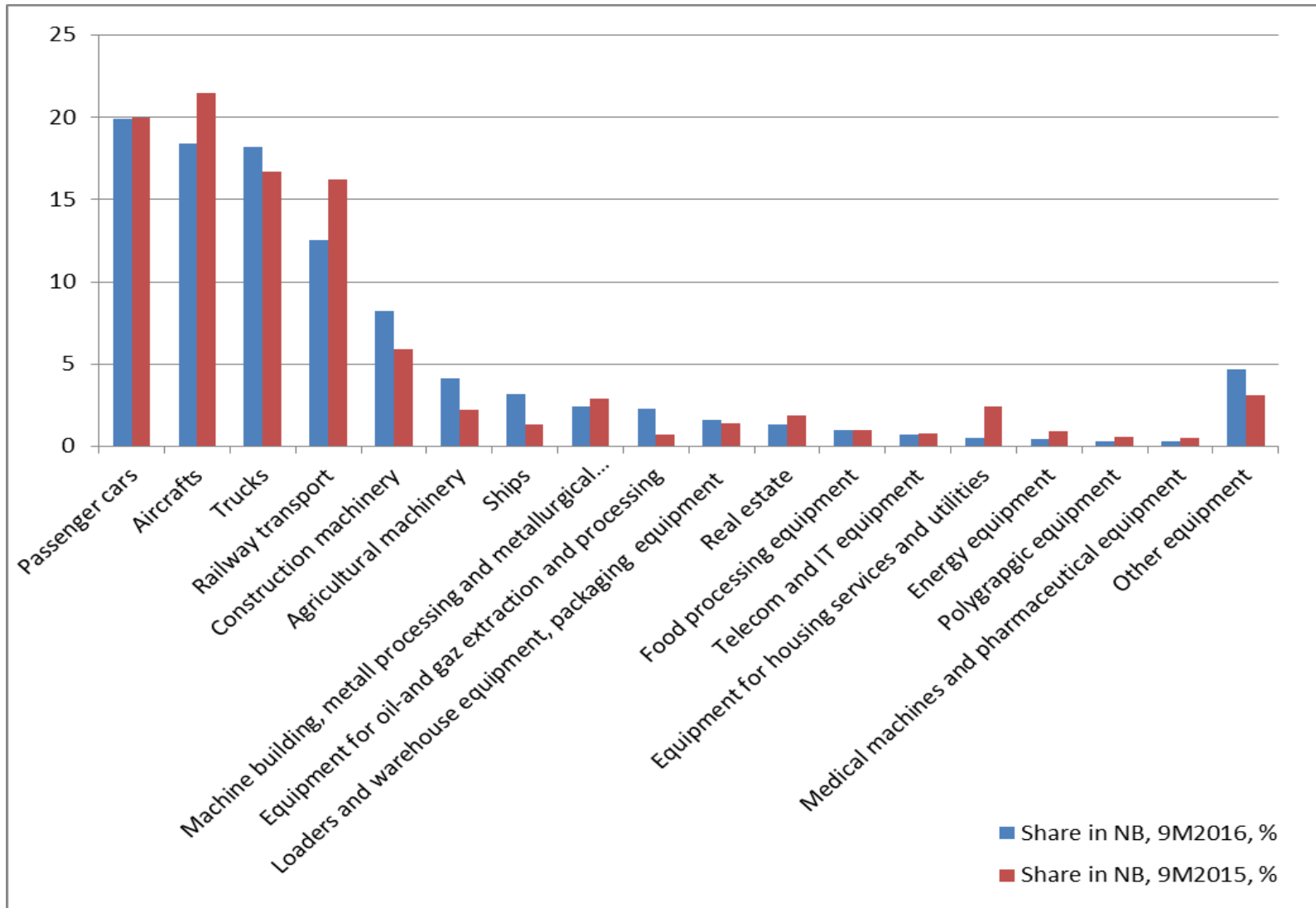
Expert RA, 9M2016

Regional Spread of RF market, NB in %



Expert RA, 9M2016

Leased Assets, RF market



Leasing market reform/ CB regulation

Market entry admission control: SRO/registry

Regulation:

- level of minimal equity capital,
- leasing as the core activity,
- exclusive right for the leasing in company name

Reporting to CB

Protection of customers' rights

Control and sanctions

Government support programs

- Sectoral support (i.e. pharministry, agriculture, etc.)
- Small and medium business support – federal and local level
- Support of local producers of vehicles, equipment, other machinery
- Support of import of unique technologies

Localization trend

- **Information localization**

In 2015 RLRU became market leader in leasing of IT Equipment.

2015 - 2016 – Akado Telecom- data processing center, equipment by Huawei, cost ~500 mio RUB

2016 г. - Dataline (Inline Group) - IT equipment 250 mio RUB

Localization trend

- **Production localization**
- Access to Government order
- Special investor status and benefits (profit tax, property tax)
- Government subsidies

2015 – project in automotive parts industry (100 mio RUB)

2016 – several projects in pharmaceutical industry (500 mio RUB)

ADVANTAGES OF LEASING

Long-term financial instrument



Individual payment schedule, e.g. seasonal payments

Opportunity to plan cash-flow



Improvement of Balance sheet structure

Working capital retention

Tax benefits (accelerated depreciation)

Special terms from Suppliers

Assets insurance against all risks

Opportunity to participate in government subsidies



RAIFFEISEN-LEASING GROUP

Raiffeisen is leasing services provider in Austria, Central & Southern Europe, Russia and CIS countries...



RAIFFEISEN-LEASING RUSSIA

- Universal Leasing Company
- Is a part of International Raiffeisen Group

Shareholders:



PERFORMANCE OVERVIEW

2000

Established in Russia

**TOP
3**

One of the leasing companies
with foreign capital

RA Expert 2015

**TOP
10**

Financing construction, electronic, food
processing, warehouse equipment

RA Expert 2015

No1

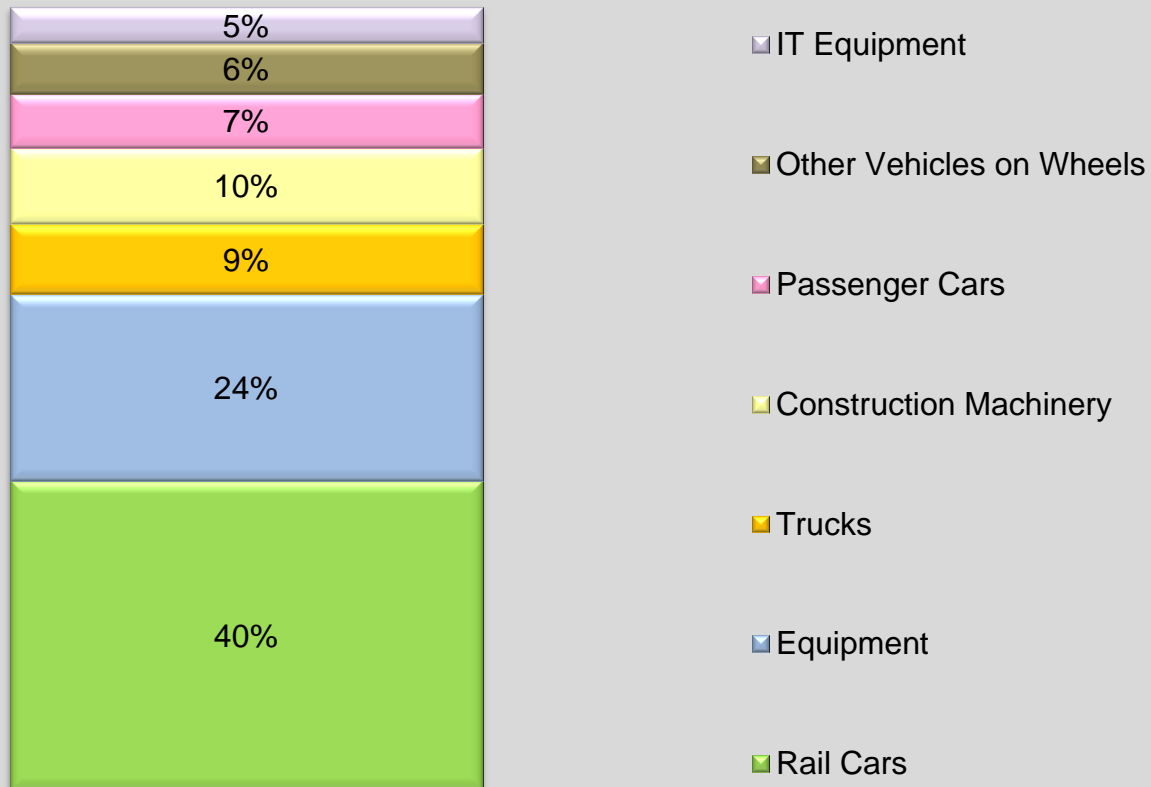
Financing IT & Communications equipment

RA Expert 2015



**Raiffeisen
LEASING**

LEASING PORTFOLIO



YE 2015



**Raiffeisen
LEASING**

COOPERATION WITH RAIFFEISEN-LEASING



TYPES OF LEASING

LEASEBACK



- The lessor takes **only financial risks** and **financial rewards**
- The lease term is for a major part of the useful life of the asset.
- The lessee has an option to purchase the asset at a price which is expected to be sufficiently lower than the value at the end of the lease period

OPERATIONAL



- Sum of all leasing payments **is lower** than in financial leasing and might be **lower** than sum of Sales contract
- **No** full transfer of property
- **Ability to upgrade equipment each 2-3 years by 3 ways:**
 1. *Buy-out at a market price*
 2. *Returning of the leasing asset to the Lessor*
 3. *Prolongation of the current Leasing contract with more favorable conditions*

FINANCE



- **Retention of the working capital**
- **Professional assistance in legal and accounting aspects in leaseback deal**
- **Long-term funding**
- **Possibility of refinancing**



FINANCING TERMS

Sum of funding

MIN 100 000 EURO

Advance 0-40%

Currency - RUB

Leasing period

from 24
up to 60 months

Lessor Lessee

Insurance of leasing
asset

B/S holder

Leasing rate

Fixed

Floating

From 5% cost
increase per
year



REQUIRMENTS TO THE LESSEE

LESSEE

Corporate entity;

Min 2 years of operation;

Stable market position;

Diversified customer base;

Participation in the long-term projects;

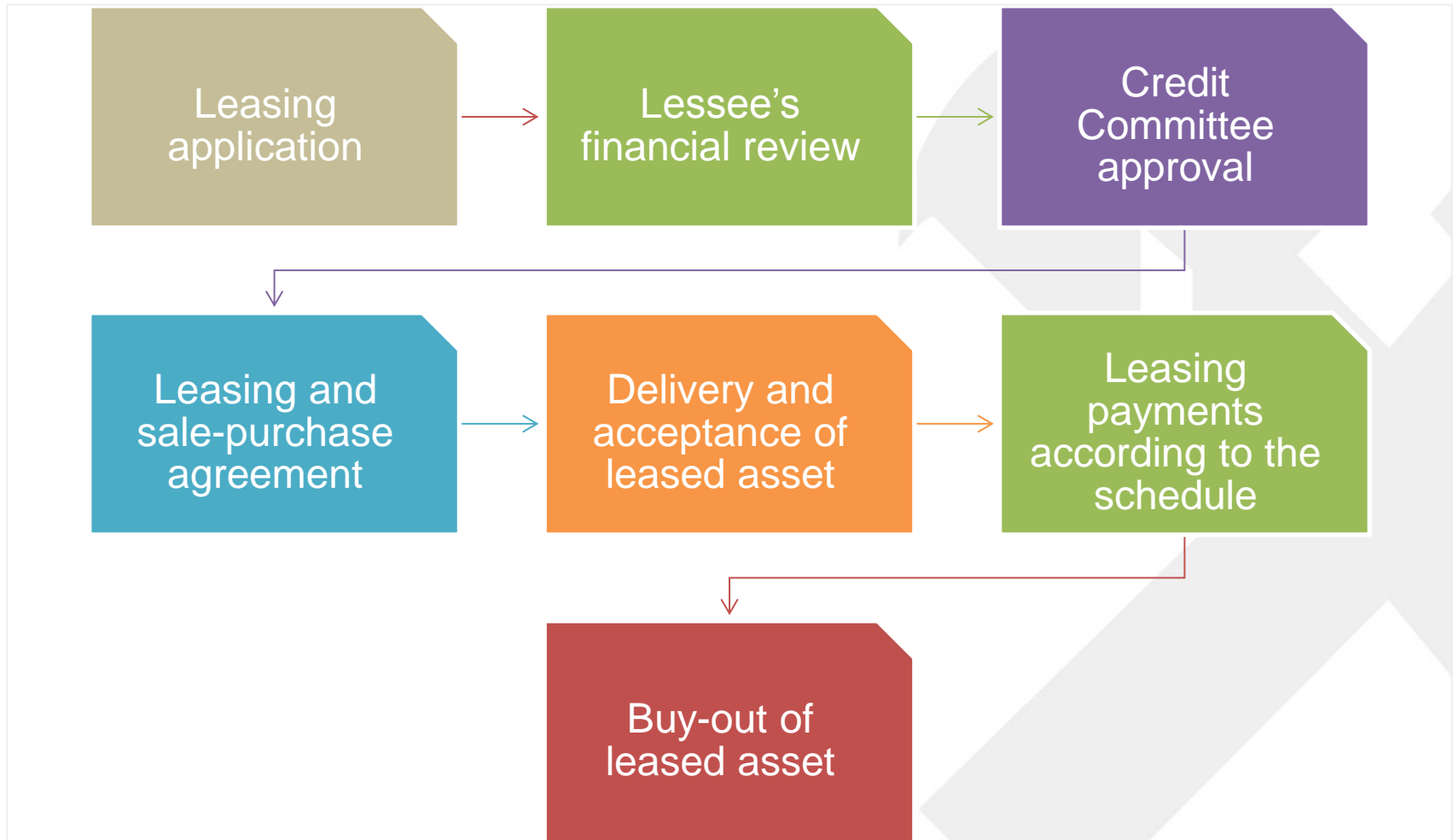
Minimum transparency level of 50%;

Profitability;

Restricted to work with: gaming industry, production of weapons and explosive substances, nuclear power, dangerous cargo transportation (oil and gas are exceptions).



MAIN STEPS OF LEASING DEAL



SUCCESSFUL PARTNERSHIP



The company actively cooperates with the Expert RA rating agency and is a member of the following professional associations:



Association
of European
Businesses

We seek to develop a modern and transparent leasing market and is heavily involved in this process.

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THANK YOU FOR ATTENTION!

Partnership with «Raiffeisen-Leasing» –
is the way to improve the business efficiency.





Association
of European
Businesses

Anton Kabakov,

Awara Law

BENEFICIAL OWNER TO CUT A LONG STORY SHORT



Awara
Law

Anton Kabakov
Partner



WHAT'S ON THE AGENDA?

- Beneficial owner. What are the new disclosure requirements for business?
- The new disclosure requirements and their Butterfly Effect
- What can be done about that?



THE NAKED EMPEROR





BENEFICIAL OWNER CRUX OF THE MATTER AND NEW TRANSPARENCY

From December 21, 2016 companies **must**:

- Know and take all measures to get information on beneficial owners
- Store these data for 5 years
- Update these data annually
- Report these data at the request of the Financial Monitoring Service (RosFinMonitoring) and tax authorities



WHO IS SUBJECT TO THESE NEW REQUIREMENTS?

ALL COMPANIES except for

- Public authorities
- State-owned companies (more than 50%)
- International organizations
- Listed Russian companies
- Foreign companies listed on a stock exchange approved by the Central Bank of Russia
- Foreign structures with no beneficial owner or CEO



BENEFICIAL OWNER. WHAT'S THAT?

An **individual** who

- Directly/indirectly owns more than 25% shares
- Otherwise controls a legal entity

Wolfsberg Group: an individual who

- Controls money on account, or
- Is the source of money on the account





OTHER CONTROLS

- No definition of *control* in anti-money laundering law
- RosFinMonitoring control = possibility granted **under a contract** to significantly affect corporate decision-making, in particular, affect corporate earnings, possibility to affect transaction decisions adopted by company (www.fedsfm.ru/companies/messages/935)
- Central Bank control = possibility of controlling actions, affect corporate earnings, affect adopted transaction decisions (Item 3.3 Bank of Russia Regulations N 375-P dated March 02, 2012)



WHAT IF IT IS NOT POSSIBLE TO COLLECT NECESSARY DATA?

- Prove that **all** necessary measures to comply with transparency requirements were taken (Art. 6.1 Anti-Money Laundering Law, Art. 2.1 and 14.25.1 Code of Administrative Offenses)
- RosFinMonitoring: the abovementioned requests made to founders (other controlling persons) and answers to those requests can serve as documents confirming that measures have been taken (Letter of February 03, 2017)
- **Would that work?**



WHAT IF COMPANIES DO NOT BOTHER?

- Imposition of fines of
 - RUB 40,000 on company officers
 - Up to RUB 500,000 on companies
- Risk of deportation of the company's CEO if he/she is a foreign national





BENEFICIAL OWNER NEW TRANSPARENCY REQUIREMENT. BUTTERFLY EFFECT

Beneficial owner disclosure may affect:

- CFC (Controlled Foreign Company)
- Double Taxation Treaty (DTT) benefits and exemptions. Exemptions and benefits under DTTs may be declined if the direct recipient is not a beneficial owner of income
- Anti-monopoly approval of M&A transactions



INCREASING TAX TRANSPARENCY

- Active exchange of tax data based on DTT and the Convention on Mutual Administrative Assistance in Tax Matters
- Russia signed on May 12, 2016 an agreement for automatic exchange of tax information (CRS MCAA)
- “In 2018 , Russia will join the system of automatic exchange of tax information among tax authorities from various countries. This will allow us to obtain information about the financial accounts of taxpayers from more than 80 jurisdictions, including so-called off-shores.” Mikhail Mishustin, Head of Federal Tax Service



RECOMMENDATIONS

- Assess the effect of the new transparency requirements on your company, including tax standing and M&A
- Consider beneficial owner transparency in any corporate & tax structuring
- Put in place a beneficial ownership transparency policy
- Amend company charter to require shareholders to provide info on beneficial owners
- Draft a template request of information on beneficial owners
- Appoint a person responsible for compliance with new requirements. Due delegation will minimize risks for CEO
- Obtaining from direct recipients of income documents confirming their beneficial right to income



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