

Russia introduces regulatory sandboxes for digital innovation

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On 28 January 2021, [Federal Law No. 258-FZ*](#) on experimental legal regimes (EPRs) in the field of digital innovation will come into force, resulting in the creation of “regulatory sandboxes”.

EPRs are expected to create favourable conditions for the development and implementation of various digital technologies, such as artificial intelligence, Internet of Things and blockchain in sectors, such as telemedicine, financial markets, distance selling, etc.

Eight projects have been [selected*](#) for the first regulatory sandboxes, including drone cargo transportation, self-driving cars, automated hotels and contactless medical examinations.

On 1 July 2020, Moscow already launched its own EPR to develop and implement artificial intelligence technology (see details [here](#)).

Conditions for establishing EPRs

To establish an EPR, certain conditions must be met, including:

- The current regulation contains restrictions that impede the implementation of digital innovations.
- It is technologically possible to use digital innovations.
- The proposal by an ERP initiator contains an assessment of the risks resulting from the EPR and measures aimed at minimising these risks.

The EPR will be established for a certain period, not exceeding three years, on a certain territory and in relation to a certain scope of subjects.

The establishment of the EPR does not represent a basis for granting tax benefits to the EPR participants.

Requirements for EPR initiators

Legal entities wishing to act as ERP initiators must meet several requirements, including:

- having no debts in taxes and other obligatory payments; and
- being a Russian legal entity in which no more than 50% of the share capital is held by foreign legal entities incorporated in [blacklisted*](#) offshore jurisdictions.

EPR determination procedure

The initiator sends an initiative proposal to the competent authority (i.e. the Ministry of Economic Development or the Central Bank of Russia), which contains, among other things, a draft EPR programme.

If positive reports are received from an association of the business community, the applicable regulatory body and the Russian region where the EPR is supposed to be created, the Russian government will review the initiative proposal. If the review is positive, the Russian government or the Central Bank of Russia (in case of a financial market EPR) decides to establish an EPR and approves its programme, including the duration and territory of the EPR, and a list of legislative provisions that do not apply to EPR subjects.

Comments

The adoption of the Law is an important step towards the introduction of regulatory sandboxes in Russia and the development of new technologies in various spheres of life. For example, a similar mechanism for the smooth implementation of innovations in the financial sector is already being used in different countries (Canada, the EU, Australia, etc.) and has proved effective.

If a company involved in the development and application of digital technologies identifies restrictions that impede the use and development of technologies, it can initiate the introduction of an EPR and, if the programme so provides, receive certain benefits.

EPRs are expected to make it possible to identify the areas in which technological solutions are especially in demand and the legal framework that will be conducive for their development.

If you have any questions on this eAlert, do not hesitate to contact CMS Russia experts [Anton Bankovskiy](#), [Irina Shurmina](#), [Ksenia Danshina](#) and [Vladislav Eltovskiy](#) or your regular contact at CMS Russia.

* *In Russian*

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