

IT & TELECOM COMMITTEE

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**PROSPECTS FOR THE DEVELOPMENT
OF REGULATION OF INFORMATION AND
TELECOMMUNICATION TECHNOLOGIES
IN RUSSIA**

Russia is striving for digital transformation and for the increased level of technological independence. Projects such as “Information Society” and “Electronic Government” have led to the creation of the national program

“Digital Economy”. In the context of the pandemic, the need to ensure the work of authorities and the lives of citizens has further spurred the development of the electronic services, and widespread digitalization has become a national priority. In telecommunications, the most discussed issues now are the new generation of 5G mobile communications and localization of telecommunication equipment production.



DIGITAL PLATFORMS REGULATION AND IT COMPANIES LANDING

In 2021, Russia has seen a tightening protectionist policy and increased regulation of online platforms. New regulations have often been adopted swiftly and with a low level of industry involvement in the technical discussion. The unpredictable regulatory environment as well as increased pressure on international companies would inevitably have a negative impact on the Russian investment climate.

The pressure on international platforms to remove controversial content has greatly increased, including government officials' public statements with threats to prosecute local employees of such companies. Amendments to legislation adopted in December 2020 introduced a new type of "turnover-based fines" for non-removal of prohibited content by online platforms: from 1/20 to 1/10 of the total amount of annual revenue. Such a decision is unprecedented globally, as sanctions of that kind have previously been applied only against companies that abuse their dominant position in the market. In Q3 2021, Roskomnadzor initiated the respective legal proceedings against tech companies.

Having received additional leverage under the federal law "On Information, Information Technologies & Information Protection" ("On the Sovereign Internet"), Roskomnadzor resorted to throttling Twitter traffic and demanding that the company remove materials containing information prohibited by Russian legislation. The restrictions were partially lifted after 91% of the requirements were met.

The government pays special attention to the content of Russian media outlets on foreign platforms and alleged restrictions of such content. According to Federal Law No. 482-FZ "On Amendments to the Federal Law on Enforcement Actions Regarding Persons Involved in Violations of Fundamental Human Rights and Freedoms and the Rights and Freedoms of Russian Federation Citizens," Roskomnadzor has been given the power to block digital platforms either partially or in full for discrimination against the content of the Russian mass media.

The stance of the Federal Antimonopoly Service regarding online platforms has become much harsher as well. For example, Booking.com was fined 14.9 million euros (1.3 billion roubles) for non-compliance with antitrust legislation and abuse of its dominant position in the market. As a result of the proceedings, the company was required to exclude the price parity clause from its agreement. In addition, FAS initiated a case against Google, accusing YouTube of violating antitrust laws by blocking users and content on the platform.

At the same time, the Russian Government's efforts to coordinate activities within the OECD should be noted as positive. The Russian Government endorsed a global approach to taxation of digital platforms and instructed that

proposals be developed for adapting the country's tax legislation in order to join the OECD's BEPS global system.

On July 1, 2021, Federal Law No. 236-FZ dated July 1, 2021 "On the Activities of Foreign Persons on the Internet Information and Telecommunications Network on the Territory of the Russian Federation" was adopted, according to which IT companies that own large online resources must register a personal account with Roskomnadzor, create a branch/representative office, or establish a subsidiary in Russia. The law also applies to foreign hosting providers with clients in Russia, advertising system operators, and organizers of information dissemination on the Internet, introduces a number of special requirements and enforcement measures that may affect foreign companies directly as well as a large number of third parties using the services of such companies. It is a matter of concern that the law is aimed at foreign companies and creates unequal business conditions for companies from Russia and from other countries.

RECOMMENDATIONS

- › Establish a regular dialogue between business and the state to ensure the development of the IT industry in Russia is of particular importance.
- › Involve industry representatives in the process of improving legislation for digital platform regulation, which will help comprehensive consideration of key regulatory aspects and help improve the investment climate.

SECURITY OF CRITICAL INFORMATION INFRASTRUCTURE

On January 1, 2018, the Federal Law "On Security of Critical Information Infrastructure of the Russian Federation" came into force. In the period from May 2020 to January 2021, the Ministry of Finance prepared draft regulatory acts requiring the transition to the preferential use of Russian software, as well as radio-electronics and telecommunications equipment of Russian origin at CII facilities.

Acceptance of the proposed requirements in their current form may lead to a failure of IT systems that ensure the functioning of CII facilities, and CII subjects will incur significant unreasonable costs for the purchase of new equipment and software when the life cycle of existing equipment and software has not yet expired.

RECOMMENDATIONS

- › Limit the scope of the proposed method of regulation by establishing that its provisions apply only to major objects of the first and second categories of significance and provide a transition period of at least 3 years in order for CII subjects to plan their budgets for the purchase of software/equipment and administration. Provide the possibility for economic entities to independently make decisions

on postponing the transition until the end of the useful life and the end of warranty and technical support for the software and equipment currently used.

- › Conduct an independent expert examination and assess the impact of the implementation of the proposed measures on the actual level of security of CII facilities from the point of view of information security on the basis of the FS-TEC of Russia and subordinate organizations.

STATE AND DEVELOPMENT TRENDS OF THE RUSSIAN TELECOMMUNICATIONS MARKET

The Russian telecommunications market remains highly consolidated. There are about 170 million phones, smartphones, tablets, and modems connected to the mobile internet (the main driver of operators' revenue growth) in Russia.

Innovations stimulate the development of a society fully connected to the Internet. A promising market segment, the Internet of Things (IoT), which involves connecting various objects to the network is now developing. At the moment, the transport industry is the leader in terms of the volume of the IoT enterprise market in Russia (13.1 billion roubles). This amount is largely generated by vehicle telematics systems.

The most common frequency range for 5G networks worldwide is 3,400–3,800 MHz. This is due to the fact that this range has wide, free frequency bands in most countries – about 100 MHz per operator, which can be used to transmit growing traffic volumes. In Russia, the most promising band (3,400–3,800 MHz) is occupied mainly by military and satellite communication systems, which are not planned to be transferred to other frequencies in the near future. So the

4.8–4.99 MHz range is considered the main one for 5G networks in Russia, and issues of cross-border coordination with NATO countries in which this range is occupied for military purposes remain unresolved.

Another frequency range used for the development of 5G networks in the world is the frequency above 26 GHz, which in Russia was allocated for 5G technology networks but on the condition that all equipment used must be of Russian origin (listed in the Single Register of Russian radio electronic products). Only US operators currently use these bands. In the future, other countries will join them, primarily European nations and South Korea.

Among other things, the Russian Federation is striving for full localization of telecommunications equipment. It has already been decided that starting in 2024, all newly commissioned telecommunications radio equipment of LTE/LTE-Advanced standards should be of Russian origin.

RECOMMENDATIONS

- › Take steps to gradually allocate the 5G spectrum in potential bands, including 3,400–3,800 MHz, 4,800–4,990 MHz and 2,300–2,400 MHz.
- › Prevent the risk of limited access to the new technologies in the Russian market.



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