RESTRICTIONS ON THE PARTICIPATION OF FOREIGN PERSONS IN RUSSIAN MASS MEDIA AND INFORMING ON THE FINANCING SOURCES

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On 1 January 2016 the amendments to the Law of the Russian Federation No. 2124-1 dated 27 December 1991, 'On Mass Media' (hereinafter - the 'Media Law') introduced by the Federal Law No. 305-FZ dated 14 October 2014 (hereinafter - the 'Law No. 305-FZ') entered into force, tightening the restrictions on the participation of foreign states and individuals, Russian legal entities with foreign investments, international organisations, as well as individuals with dual citizenship and stateless persons in the ownership, management and control of Russian mass media (hereinafter - the 'Media') and broadcasting organisations (legal entities).

Furthermore, the Federal Law No. 464-FZ dated 30 December 2015 (hereinafter - the 'Law No. 464-FZ') supplemented the Media Law with an article which provides for the obligation of Media desk, broadcasting company or publisher to inform the Federal Supervision Agency for Information Technologies and Communications on receipt of funds from foreign sources, and the Administrative Code with an article providing for the administrative liability for a failure to perform this obligation.

In accordance with the Media Law, the Media means a printed periodical, online media, TV channel, radio channel, TV show, radio program, video program, newsreel program, other form of periodic distribution of information under the constant title (name).

1. **Restrictions on the Participation and Control over the Media**

Article 19.1 of the Media Law as amended by the 'Law No. 305-FZ provides for the following prohibitions:

   a. a foreign state, an international organisation, institutions under their control, a foreign legal entity, a Russian foreign-invested legal entity, a foreign citizen, stateless person, a citizen of the Russian Federation, having another state citizenship (hereinafter - the 'dual nationality person') may not be a founder (participant) of the Media, be a Media desk (i.e., engage in production and release of the Media), as well as a broadcasting company;

   b. a foreign state, an international organisation, institutions under their control, a foreign legal entity, a Russian legal entity with the share of foreign participation over 20 %, a foreign citizen, stateless persons, dual citizenship persons may not be owners, to exercise management or control, directly or indirectly in respect of more than 20 % of shares (interests) in the charter capital of the entity being a participant (member, shareholder) of a founder of the Media, Media desk, broadcasting company (legal entity).

   c. the persons and entities referred to in paragraphs a and b above may not establish any other form of control over a founder of the Media, Media desk, broadcasting company, as well as over the persons being participants (members, shareholders) of a founder of the Media, resulting in the ownership or management by such persons, directly or indirectly, of the respective founder/desk/company, as well as control and determine decisions of the latter.
The prohibitions set forth in paragraphs a and b above do not apply if otherwise is provided by an international treaty of the Russian Federation.

By 1 February 2016 the constitutive documents of the founders of the Media, Media desks and broadcasting companies should be brought in compliance with the abovementioned requirements of the Media Law (as amended), i.e. based on the explanatory note to the draft Law No. 305-FZ, the participants/shareholders of the Media, Media desk and broadcasting companies should be changed so to comply with the prohibitions stipulated by Article 19.1 of the Media Law as amended.

Information on compliance with the relevant requirements must be submitted with the federal executive authority engaged in the Media registration (hereinafter - the 'registering authority') on or before 15 February 2016.

The list of documents confirming compliance by the founders (participants) of the Media, Media desks, broadcasting companies (legal entities) with the requirements specified by Article 19.1 of the Media Law was approved by the Resolution of the Government of the Russian Federation No. 1107 dated 16 October 2015.

In addition, on or before 1 February 2016 the documents on foreign legal entity and Russian legal entity with foreign investments of over 20% which meet the following conditions (hereinafter - the 'controlling persons') should be submitted with the registering authority:

1. such persons jointly or individually, directly or indirectly, own or exercise management or control in respect of more than 20 % of shares (interests) in the charter capital of the entity being a participant (member, shareholder) of a founder of the Media, Media desk, broadcasting company; and

2. one or more Russian entities, which directly or indirectly (through third parties) own in each of such entities dominant participation of 80 % or more.

Information on compliance with these requirements must be submitted with the registering authority on or before 15 February 2017.

The requirements of Article 19.1 of the Media Law (as amended by the Law No. 305-FZ) will be applicable to the controlling persons starting from 1 January 2017 and by 1 February 2017 their constitutive documents shall be brought in compliance with these requirements.

A breach of the requirements of Article 19.1. of the Media Law involves the following consequences:

1. members (founders) of founders of the Media, Media desks, broadcasting companies (legal entities) cannot exercise certain corporate rights of members of legal entities and their votes are not taken into account in determining quorum of the general meeting of participants (members, shareholders) and calculating the votes;
2. any transactions resulting in a breach of these requirements shall be deemed void;

3. suspension of activities of the Media by a court upon a claim of the registering authority.

2. **Notification on Funding the Media desk, Broadcasting or Producing Company by Foreign Sources**

Article 19.2 of the Media Law introduced by the Law No. 464-FZ establishes the obligation of the Media desks, broadcasting company or publisher to inform the Federal Supervision Agency for Information Technologies and Communications (Roscomnadzor) on the receipt of funds from foreign states, international organisations, foreign organisations, as well as non-commercial organisations acting as foreign agents according to the laws of the Russian Federation, foreign nationals, stateless persons as well as Russian entities with participation of the above persons.

Such information should be provided once per a quarter (reporting period) on or before 10th day of a month following the reporting period by means a notice according the form approved by Roscomnadzor.

This requirement does not apply:

1. if the Media desk, broadcasting company or publisher receive funds from:
   a. a founder of the relevant Media;
   b. placement of advertisements;
   c. distribution of products of the relevant Media;
   d. in the lump amount less than 15,000 roubles;

2. to representative offices of foreign Media established in accordance with Article 55 of the Media Law, and to the Media established in accordance with the international treaties of the Russian Federation.

Roscomnadzor shall publish on its official website the information provided by the Media desk, broadcasting company or publisher within 10 days after the receipt of the relevant notice therefrom.

Article 13.15.1 of the Administrative Code introduced by the Law No. 464-FZ establishes the liability for a failure to provide or late provision by the Media desk, broadcasting company or publisher of the information on the receipt of funds from foreign sources in the form of a fine: for officials in the amount of 30,000 - 50,000 roubles; for legal entities - from one to double amount of funds received by the Media desk, broadcasting company or publisher. Such breach committed repeatedly involves a fine in the amount of up to 80,000 roubles for officials, and from triple to quadruple amount of funds received for legal entities.
Best Regards,
GRATA International Law Firm (Moscow)

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- Assistance in the state registration of legal entities in establishment or reorganisation, as well as changes to the constitutive documents
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