MAJOR CHANGES IN REGULATION OF OBLIGATIONS AND CONTRACTS UNDER RUSSIAN LAW EFFECTIVE FROM 1 JUNE 2015
The Federal Law No. 42-FZ dated 8 March 2015 (‘Law No. 42-FZ’) introduced significant changes to the Civil Code of the Russian Federation (‘Civil Code’) aimed at improving the regulation of obligations, in particular, providing for greater freedom of business entities in determining the procedure for performance of obligations, means for securing obligations, liability and other consequences of breach of obligations as well as termination thereof.

Some novelties, including an inter-creditor agreement, an independent guarantee, an option to enter an agreement and an option agreement, compensation of losses resulting from events stipulated in a contract, have been conceived as analogues of institutions and mechanisms that exist in the English-Saxon legal system and are aimed at providing an opportunity to the parties of complex relationships (which arise, in particular, in lending transactions, sale-and-purchase of shares, interests or immovable property) to regulate them under Russian law.

The principal changes all of which become effective from 1 June 2015 are overviewed bellow.

I. Alternative, Optional and Negative Obligations, Framework, Option and Other New Types of Agreements .................................................................................................................................3
II. Representations..................................................................................................................................................................................4
III. Entering into a Contract .....................................................................................................................................................................4
IV. Performance of Obligations: Inter-Creditor Agreement, Specific Performance, Waiver or Unilateral Alteration of an Obligation ..........................................................................................................................5
V. Interests on the Principal Amount of Debt and Interest for Using Other’s Funds ............7
VI. Surety ......................................................................................................................................................................................................7
VII. Independent Guarantee .................................................................................................................................................................8
VIII. Deposit .......................................................................................................................................................................................................9
IX. Security Payment.................................................................................................................................................................................9
X. Liability for Breach of Obligations: Penalty and Damages .................................................................9
XI. Indemnification of Losses Arisen upon Certain Events Specified by the Agreement......................................................................................................................10
XII. Invalidity of a Contract and Rendering Thereof Not Concluded.................................................10
XIII. Termination of Obligations ........................................................................................................................................................11
XIV. Termination and Modification of a Contract.........................................................................................11
I. Alternative, Optional and Negative Obligations, Framework, Option and Other New Types of Agreements

An alternative obligation is defined as an obligation providing for the duty of a debtor to take one of two or more actions (or refrain from acting) at its discretion, if such discretion is not granted to the creditor or a third party by the law or other regulatory acts, or a contract.

The procedure for performance of the alternative obligation is detailed depending on who has the discretion a debtor or a creditor.

The concept of an optional obligation is introduced under which a debtor may replace the principal performance with another (optional) performance provided for by the conditions of the obligation, and the creditor must accept the respective performance from the debtor.

The concept of a negative obligation is introduced, which means an obligation to refrain from certain action (for instance, from selling shares/interests). If a debtor breaches such an obligation, and in the event of a real threat of such breach, the creditor regardless of recovery of damages may demand suppression of the relevant action, if it does not contradict the nature of the obligation.

A framework agreement (an open terms agreement) is an agreement establishing general conditions for legally binding relationships of the parties that can be detailed and clarified by the parties in additional agreements or orders filed by either party or otherwise under or pursuant to the framework agreement. In practice, framework agreements are typically distribution agreements containing the general provisions governing the relationships in connection with supply and promotion of goods.

On the basis of an upon-request agreement (subscribers’ agreement) a subscriber shall make periodic payments or provide another consideration and the contractor shall provide services or perform works specified by the agreement in the requested amount or volume or on other terms determined by the subscriber. The obligation of the subscriber to make payments or provide another consideration under the subscribers agreement will not be contingent on demanding by the subscriber from the contractor performance of its obligations, unless otherwise is provided for by the law or the agreement.

An option to enter into an agreement is an agreement under which:

- one party by an irrevocable offer grants the other party for a fee or other consideration (unless otherwise is provided for by the agreement) the right to enter into one or more agreements under the conditions specified by the option; and

- the other party may enter into an agreement by accepting such an offer in the procedure, under the terms and conditions set forth by the option.

The term for acceptance of an irrevocable offer is one year, unless another term is specified by the option and follows from the nature of the agreement or trade usages.

Payment under the option to enter into an agreement shall not generally be offset against payments under the agreement based on an irrevocable offer, and is non-refundable in case of non-acceptance.

An irrevocable nature of the offer under the option to enter into an agreement, on one part, and the possibility to make the exercise of the right to accept such offer conditional upon an event dependent on the will of one of the parties, on another part, will allow to use this tool as an analogue of such contractual structures under English law as 'call option' and 'put option', in particular in corporate (shareholders’) agreements governed by Russian law.

In other respects, an option to enter into an agreement is similar to a preliminary agreement:

- it must provide for the conditions defining the subject and other material terms of the agreement to be concluded; and
it is executed in the form prescribed by the law for the agreement to be concluded (that is, if such agreement requires notarial certification an option should be notarised as well).

An option agreement, as opposed to the option to enter into an agreement, establishes the right of a party to require from the other party under the terms and conditions specified by the option agreement to perform actions specified by this agreement (i.e. to pay money, to transfer or receive property). An option agreement terminates if an entitled party does not demand performance from the other party within the specified period.

Upon agreement of the parties an option agreement may be gratuitous or entering into an option agreement may be made conditional upon another obligation or lawful interests that arise from the relationships of the parties.

Regarding the parties' freedom to enter into an agreement either provided for or not provided for by law it is clarified that if such an agreement is not mixed (i.e., does not contain elements of different contracts stipulated by law), the rules on certain types of agreements established by law do not apply to relations of the parties as the general rule, however, certain parties' relations may be subject to the rules of analogy by statute.

II. Representations

An important novelty is the concept of representations relating to circumstances (conceived by developers of the Law No. 42-FZ as an analogue of warranties and representations in English law).

An imperative rule is introduced providing that if at entering into a contract or before or after execution thereof one party thereto provided the other party with false representations on circumstances relevant to the contract, as well as execution or termination thereof, such a party shall compensate the other party for damages caused by such misrepresentations, or pay a penalty specified by the contract, if the first party assumed that the other party would rely on such representations, or had reasonable grounds to assume that.

Representations on circumstances may relate, inter alia, to the subject matter of the contract, authority of a party to execute the contract, compliance with the applicable law, availability of required licenses and permits, financial condition of a party or a third party.

A party relying on false representations of the counterparty that are essential for the former is also entitled to withdraw from the contract, unless the parties agreed otherwise.

In the event a party gives false representations in the course of business activity, as well as in connection with a corporate agreement or an agreement on disposal of shares or interests in the charter capital of a company, the above consequences occur regardless of whether the party knew about the unreliability of such representations (unless otherwise is provided for by the agreement of the parties).

Where a contract is entered under influence of fraud or a material mistake caused by the false representations by the other party, the aggrieved party may file a claim for invalidation of the contract instead of withdrawal from it.

III. Entering into a Contract

The concept of an electronic document transmitted via communication channels is clarified for the purposes of entering in a contract by means of documents exchange: it means information prepared, sent, received or stored by electronic, magnetic, optical or similar means, including information exchange in electronic form and e-mail.

The obligation of the parties to act in good faith in the course of pre-contractual negotiations and thereafter, in particular to prevent from negotiations with the obvious absence of intention to reach an agreement with the other party, is provided for. It is also determined which actions are
deemed unfair acts in the course of pre-contractual negotiations and the liability of a party holding or terminating the negotiations to compensate the other party for damages caused is established.

In addition, the obligation of a party that in the course of the negotiations receives confidential information from the other party to abstain from disclosing this information and not to misuse it for own purposes, regardless of whether the contract is signed or not, as well as to compensate the other party for damages caused by the breach of this obligation is introduced.

The parties may enter into an agreement for negotiation procedure providing for allocation of costs in connection with negotiations, other similar rights and obligations, as well as a penalty for a breach of the provisions contained therein.

It is clarified that where an agreement is entered into on the basis of a court’s decision upon a claim of one party against the other party which is obliged under the law to enter into the agreement but evading there from, the agreement is concluded on the terms specified in the respective decision.

The limitation period of 6 months is established for submission of disputes arisen in the course of entering in agreement to the court, as well as for filing a claim with a court for compulsion a party to the preliminary agreement to execute the master agreement in the event the latter avoids such execution. In case of disagreements between the parties regarding the terms and conditions of the master agreement, such conditions shall be determined in accordance with the court judgement.

In the event a contract is entered into upon results of a tender, the following changes are introduced:

- obligations of an organiser and bidders to enter in a contract as a result of the tender can be secured with an independent guarantee (rather than by a deposit), unless otherwise is provided for by the law;
- a bidder that evaded from signing the protocol on the tender results shall indemnify the relevant damages in excess of the security granted;
- if under the law a contract may be entered into only through a tender and a tender organiser evades from signing the protocol upon the results of the tender, the winner may file a claim with the court for compulsion of the organiser to enter into the contract, as well as for indemnification of damages caused by the evasion from entering into the contract.

Furthermore, if under the law a contract maybe entered into only through a tender, the prohibition is established on assignment by the winner of the rights and obligations arising from the contract executed upon the results of the tender. The terms of the contract entered as a result of the tender may be amended by the parties only if such amendments do not affect the terms of the contract being essential for determining price at the tender, as well as in other cases specified by the law.

The limitation period of 1 year is established for bringing claims for invalidation of the tender, as well as the grounds for such invalidation, in particular, a material violation of the tender procedure that led to incorrect determination of the sale price, unjustified exclusion from participating in the tender.

IV. Performance of Obligations: Inter-Creditor Agreement, Specific Performance, Waiver or Unilateral Alteration of an Obligation

It is now expressly provided for the possibility to enter into an agreement between the creditors of the same debtor providing for the order of discharging their homogenous claims against the debtor, which can establish, inter alia, the priority of such a discharge and the rights to receive performance disproportionate with respect to other creditors.
An agreement between the creditor and the debtor may provide for the obligation of the debtor to perform the obligation on transfer of money or securities by placing thereof on a notary's deposit. In this case, the debtor has the right to claim return of the money or securities placed on a notary’s or court's deposit, as well as proceeds from them, at any time before the creditor receives such money or securities.

The procedure for discharging claims on homogenous obligations is clarified, in particular: in cases, where the debtor does not specify which of the obligations it performs, while such obligations include secured obligations, the performance is applied against unsecured obligations, unless otherwise is provided by for the law or an agreement between the parties.

Another significant novelty is the right of the parties to a contractual obligation to make performance of their obligations as well as exercise, modification and termination of certain rights conditional upon:

- performance or non-performance by one of the parties of certain actions, or
- occurrence of other events stipulated by the parties, including those being within sole control of one of the parties.  

Furthermore, it is established that the period for obligation performance can be calculated from the date of performance by the other party or from the occurrence of other events provided for by the law or agreement.

The right of a creditor to seek in a court the specific performance is established as the general rule - unless otherwise is provided for by the laws or agreement, or follows from the obligation nature. If the debtor fails to comply with the respective court’s decision, upon a claim of the creditor the court may award in the favour of the latter monetary compensation in the amount determined by the court on the principles of equity, proportionality and non-benefiting from illegal or inequitable behaviour.

The provisions related to the unilateral waiver to perform obligations in the course of business activities performed by all of the parties to the obligation or altering such obligation are amended as follows:

- a unilateral change in the terms of such obligation or unilateral waiver to perform it shall be allowed in cases provided for by the law or agreement;
- if one of the parties to the obligation is not a businessman, the right to unilaterally change the terms thereof, or waiver to perform the obligations may be granted by the agreement to such party only, unless otherwise is provided for by the law;
- an agreement may provide that the right to unilateral waiver to perform the obligation or to unilateral change of the terms of such obligation is conditioned upon the payment of a certain sum of money to the other party to the obligation (a break-up fee).

The cases where the creditor is obliged to accept the performance offered on the debtor's behalf by a third party who has not been authorised by the debtor, have been extended to the cases where:

- the debtor delayed to perform a monetary obligation;
- a third party is in danger of losing its right to the debtor's property as a result of foreclosing such property by the creditor.

---

1 Although making performance or termination of obligations under a transaction conditional upon actions of either party or events under its control is not expressly prohibited by the Civil Code currently in force, there has been divergence among Russian courts on whether such conditions are enforceable with a view of provisions of Article 157 of the Civil Code.
V. Interests on the Principal Amount of Debt and Interest for Using Other’s Funds

The concept of statutory interest is introduced: a creditor shall have the right (unless otherwise is provided for by the law or an agreement) to recover from the debtor interest on the principal amount of a debt for the period until its discharge at the refinancing rate of the Bank of Russia as effective during the respective period.

At the same time, a condition on accrual of interest on interest can be only included in a bank deposit agreement or in the contracts in connection with performance of business activities, otherwise such a condition shall be deemed null and void.

The provisions of Article 395 of the Civil Code regarding the obligation to pay interest for using other’s funds due to illegal retention thereof, avoidance of return, other delay in payment thereof or unjustified receipt or saving are amended to the effect that interest on such funds shall be payable at the average bank interest rates established at domicile/location of the creditor (rather than the accounting rate of the Bank of Russia as provided by the current version of this article).

The restrictions are established on the recovery of interest for a breach of monetary obligations:

- the interest shall not be collected if an agreement between the parties provides for a penalty, unless otherwise is provided for by the law or the agreement;
- interest cannot be accrued on interest (compound interest), unless otherwise is provided for by the law and, in case of business related obligations, by an agreement as well.

VI. Surety

It will be possible to secure by a surety agreement either monetary or non-monetary obligations, as well as future obligations.

The terms and conditions of surety related to the principal obligation shall be deemed agreed, and the surety agreement concluded, respectively, provided that there is a reference to a contract providing for the current or future secured obligation.

In the event a surety is a person engaged in the business activities, the surety agreement can secure all existing and (or) future obligations of the debtor to the creditor within a certain amount.

The consequences of performance of the obligation by a co-surety (a person who provided a joint surety) are specified as follows: the co-surety will be entitled to demand from other co-sureties the compensation paid pro rata to their participation in the security of the principal obligation.

The following additional rights of the surety are established:

- if at the time of execution of surety the principal obligation was secured by other means and such security has been lost or deteriorated due to circumstances beyond the control of the creditor, the surety shall be released from liability to the extent it could demand compensation due to the lost security;
- the surety is entitled to abstain from performing its obligation as long as the creditor can obtain discharge of its claim by offsetting the debtor's claim.

A surety agreement may provide for a prior consent of the surety in the event of a change of the terms and conditions of the obligation to remain liable before the creditor under the changed conditions.

An obligation is established for the debtor to inform the surety of all existing objections to the claim and provide all available evidence in case of the surety’s notice of the creditor's claim or of its engagement in judicial proceedings.
At the same time, the right of the surety to present the same objections to the claim that may be presented by the debtor cannot be restricted, an agreement for otherwise shall be void.

Certain specific consequences of termination of the surety are established, in particular:

- if the principal obligation is secured by the surety in a part, the partial performance of the principal obligation shall set off against its unsecured part;
- if there are several obligations between the debtor and the creditor, where only one is secured by the surety and the debtor does not specify which obligation it performs, it is deemed performing the unsecured obligation.

It is provided that the surety does not terminate as the result of the death or reorganisation of the debtor.

VII. Independent Guarantee

The concept of an independent guarantee is introduced under which the guarantor undertakes in writing upon request of another person (the principal) to pay to a nominated third party (beneficiary) the certain amount in accordance with the terms of the obligation taken by the guarantor and regardless of the validity of the obligation so secured.

The main difference between an independent guarantee and a banking guarantee (the means of security provided for by the Civil Code currently in force) is that the independent guarantee may be granted not only by a bank or another credit institution, but also by any other profit-making organisation. A bank guarantee will be a specific type of an independent guarantee under the new version of the Civil Code.

It will be possible to provide in an independent guarantee that the amount of the guarantee decreases or increases after a certain period or upon occurrence of a certain event.

The independence of an independent guarantee is determined by the following features:

- the guarantor's obligation to the beneficiary is independent of the principal obligation secured by the guarantee, of the relationship between the principal and the guarantor, as well as of any other obligations, even if they are referred to in the independent guarantee;
- the guarantor is not entitled to object to the beneficiary's claim in connection with the principal secured obligation, even if the guarantee refers to such an obligation, as well as in connection with any other obligation, and may not refer in the objections to the circumstances not provided in the guarantee.

The independent guarantee may provide that a withdrawal or modification by the guarantor of the guaranty require a consent of the beneficiary.

The beneficiary may assign its rights under an independent guarantee to another person only subject to the simultaneous assignment of the rights under the principal obligation to the same person. In this case, the beneficiary's rights to claim against the guarantor may be only assigned upon the consent of the guarantor, unless otherwise is provided for by the guarantee.

Unless the guarantee provides for another period for consideration by the guarantor of the beneficiary's claim, such a period shall be 5 days from the day following the day of receipt of the claim with all the documents attached. Under the terms of the independent guarantee, the period for consideration of the claim may not in any case exceed 30 days.

The obligations are established:

- of the beneficiary - to compensate to the guarantor or the principal for damages caused by the unreliability of documents submitted or invalidity of the claim filed;
of the principal - to compensate to the guarantor for the amounts paid in accordance with the terms of the independent guarantee, unless otherwise is provided for by the guarantee agreement.

The guarantor will be able to suspend payment for up to 7 days under certain circumstances, in particular, if any of the documents submitted is misleading.

VIII. Deposit

The parties now have the right to agree, unless otherwise is provided for by law, that a deposit (задаток in Russian) secures an obligation to enter into a master agreement on the conditions stipulated by the preliminary agreement. (Currently there is no common approach to this issue in judicial practice: according to the Presidium of the Supreme Arbitration Court of the Russian Federation, since a preliminary agreement does not contain any monetary obligations of the parties to each other, the deposit cannot be applied as security of obligations under the preliminary agreement. On the other hand, the Supreme Court of the Russian Federation and courts of general jurisdiction adhere to the position that the possibility of securing the preliminary agreement by a deposit is not ruled out by the Civil Code).

IX. Security Payment

A concept of the security payment as a new means to secure obligations is introduced (in practice this means is widely used, in particular, in lease agreements).

A security payment is a certain amount of money paid by one party in favour of the other party to secure:

- a monetary obligation, including the obligation to indemnify or pay a penalty for breach of an agreement; and

- an obligation arising in connection with the transaction requirements involving the duty of a party or parties to pay money depending on changes in price of commodities, securities, exchange rate, interest rates, inflation, or on the values based on the aggregate of these indicators, or on other event provided for by law regardless of its occurrence.

A security payment may secure an obligation that arises in the future.

The specific features of the security payment are that:

- in the event specified by the agreement, the amount of the security payment will be credited against the performance of the relevant obligation;

- in case of non-occurrence of the relevant event within the term established by the agreement, or termination of the secured obligation, the security payment should be refunded, unless the parties agreed otherwise;

- no interest shall accrue on the amount of the security payment, unless the parties agreed otherwise.

X. Liability for Breach of Obligations: Penalty and Damages

It is provided that a contractual penalty may be decreased by the court (Article 333 of the Civil Code) in the event an obligation was breached by a person engaged in business activities, upon the debtor's claim for such a decrease and only in exceptional cases, when it is proven that award of the penalty in the amount specified by the agreement may result in the creditor's unjustified enrichment.

The provisions of Article 393 of the Civil Code regarding the obligation of a party at fault to compensate for the damages are detailed as follows:
as a general rule the creditor will not be deprived of the right to demand from the debtor compensation of the damages caused by a breach of the obligation, even if other remedies are available under the law or agreement;

- if the amount of damages cannot be established with a reasonable certainty, it shall be determined by the court taking into account all the circumstances of the case and based on the principles of equity and proportionality.

In the event an agreement is terminated due to default by the debtor, the following consequences shall apply:

- if the creditor enters into a similar agreement instead of the terminated one, the creditor may demand the debtor to compensate for damages in the amount of the difference between the price set by the terminated agreement and the price of comparable goods, works or services under the new agreement;

- if the creditor has not entered into a similar agreement, but there is a current price of comparable goods, works or services, the creditor may demand the debtor to compensate for damages in the amount of the difference between the price specified by the terminated agreement and the current price.

XI. Indemnification of Losses Arisen upon Certain Events Specified by the Agreement

Another new concept that was introduced is the concept of indemnification of losses arisen upon certain events specified by the agreement (by analogy with the indemnity in English law).

This type of liability may be established by agreement between the parties engaged in business activities and the respective contractual conditions may include:

- an obligation of one party to recover from the other party losses incurred upon arrival of a certain event provided for by the agreement and not related to the breach of the obligation by a party thereof (losses caused by the impossibility to perform the obligation, claims by third parties or public authorities against the party or to a third party specified in the agreement, etc.);

- an amount of the losses to be recovered or the procedure for determination thereof.

The principal differences between indemnification of losses incurred upon arrival of certain events specified by the agreement and a contractual penalty is that:

a. this liability is applied in the event being external for the parties to the obligation, not resulting from their actions or omission;

b. the court cannot reduce the amount of losses being recovered unless it is proved that the party has deliberately contributed to an increase in the amount of the losses;

c. the losses should be compensated regardless of rendering the agreement as not concluded or invalid, unless the parties agreed otherwise.

The above rules are applicable, if the relevant provision regarding indemnification of losses incurred upon arrival of certain events is included in the corporate agreement or an agreement on disposal of shares or interests in a business entity, a party to which is an individual.

XII. Invalidity of a Contract and Rendering Thereof Not Concluded

The consequences of invalidity of a contract providing for the principal obligation are determined as the follows: in such case the obligations to return the property received under the principal obligation in connection with such invalidity are deemed secured obligations.
The following general provisions on the invalidity of a contract in connection with the parties’ business activity are established, which are applicable to contracts in the absence of special regulation:

a. if the party accepted from the counterparty the performance under the contract but failed to perform its obligation in full or partially, such a party is not entitled to claim for invalidation of the contract, except for in the cases where the contract is rendered invalid as a transaction committed:
   – by a legal entity in contradiction with the objectives of activities determined as limited by its constitutive documents; or
   – under the influence of errors in substance; or
   – under the influence of fraud, violence, threats or adverse events,
   as well as when the performance by the other party is due to deliberately unfair acts;

b. in the event the contract is rendered invalid upon either party’s claim as a voidable transaction, the parties may thereafter enter into an agreement establishing effects of the contract’s invalidity other than those set forth by the Civil Code, provided that such an agreement does not affect the interests of third parties and does not violate the public interest.

Regarding the right to file a claim for rendering a contract not concluded it is established that a party that accepted from the other party a full or partial performance under the contract or otherwise confirmed the validity thereof will be deprived of such a right, if under particular circumstances filing the respective claim would be contrary to the principle of good faith.

XIII. Termination of Obligations

The parties will be entitled upon their agreement to terminate any obligation (either contractual or under a tort) and determine the consequences thereof, unless otherwise is provided for by the law or follows from the nature of the obligation.

An obligation may not be terminated when the debtor and the creditor become the same person (e.g. in the event of a merger) if it is established by the law or follows from the nature of the obligation.

In the event a debt is terminated by forgiveness, an obligation shall be deemed terminated from the date of receipt by the debtor of the notice from the creditor on such forgiveness, provided that the debtor does not send objections to the creditor within a reasonable time.

It is specified that an obligation shall not be deemed terminated when the act of a state or municipal authority involving impossibility to perform the obligations was caused by unlawful actions (omission) of the debtor (e.g., an administrative offense involving liability in the form of suspension of a debtor’s entity activity, or violation by the debtor of licensing requirements resulting in the license withdrawal).

XIV. Termination and Modification of a Contract

In a multilateral contract connected with the parties’ business activities it will be possible to provide for the right to modify or terminate it upon agreement between all or majority of the parties, unless otherwise is provided for by the law.

A party will be entitled to withdraw from the contract (performance of the contract) and claim for compensation of damages if the other party has no license to operate or a membership in a self-regulated organisation which is necessary to perform obligations under the contract.

In the event one party exercises the right to withdraw from the contract (performance of the contract) on the basis of law or contract by notifying the other party of such withdrawal, the contract is terminated as a general rule from the date of the notice receipt.
If the party entitled to withdraw from the contract (performance of the contract) upon occurrence of grounds for such a withdrawal nevertheless confirms the contract, in particular by accepting the other party's performance of its obligation, it will lose the right to withdraw from the contract on the same grounds.

Where a party engaged in business activities in the circumstances giving rise to the exercise of certain rights under the contract waives any respective right, it will not be able to exercise this right on the same grounds, unless similar circumstances arise again.

The consequences of the contract termination are specified as follows:

- obligations of the parties may not be terminated, if it is provided for by the law, the contract or follows from the nature of the obligation;
- in the event prior to the termination or modification of the contract either party, having accepted performance from the other party, failed to perform its obligation or provided unequal performance, the parties' relationships will be subject to the rules on the obligations related to unjust enrichment.

***

Provisions of the Civil Code as amended by the Law No. 42-FZ shall apply to legal relations arising from 1 June 2015. As to the legal relations arising before 1 June 2015, the said provisions of the Civil Code will be applicable to the rights and obligations arisen after that date.

Until the other laws and regulatory acts are brought in line with the new provisions of the Civil Code, such laws and acts will be applied to the extent not contrary to the relevant provisions of the Civil Code.

***

Best Regards,

GRATA Law Firm (Moscow)

This information is provided for your convenience and does not constitute legal advice. It is prepared for the general information of our clients and other interested persons and it may include links to websites other than the GRATA website. This information should not be acted upon in any specific situation without appropriate legal advice.

For further information please contact:

Yana Dianova

Director of the Corporate and Commercial Law Department

GRATA Law Firm (Moscow)

Tel: +7 (495) 660 11 84

E-mail: Ydianova@gratanet.com