

RUSSIAN FEDERATION

FEDERAL LAW

57-FZ of April 29, 2008

On Procedures for Making Foreign Investment into Business Entities having Strategic Significance for National Defense and State Security

Adopted by the State Duma on April 2, 2008

Approved by the Federation Council on April 16, 2008

Article 1. Goals of this Federal Law	1
Article 2. Relations Regulated by this Federal Law and its Application Sphere	1
Article 3. Key Terms Used in this Federal Law	2
Article 4. Terms and Conditions for Making Deals Entailing the Establishing, by a Foreign Investors or a Group of Persons, of Control over Business Entities having Strategic Significance	4
Article 5. Signs of a Strategic Business Entity Being under Control	4
Article 6. Activities having strategic significance for national defense and state security	5
Article 7 . Deals to which this Federal Law is applicable	8
Article 8. Procedure for submitting applications for preliminary approval of a deal and applications for coordination of establishing the control	10
Article 9. Procedures for consideration of application by the authorized body	11
Article 10. Procedures for checking business entities having strategic significance	12
Article 11. Consideration of inquiries by the Commission	14
Article 12. Procedures for the Commission deciding on preliminary coordination of the deal or on coordination of the setting of control, provided presence of an agreement with the applicant on insuring his fulfillment of certain commitments	15
Article 13. Rights and duties of the authorized body and investigation units of the federal executive bodies for security	16
Article 14. Notifying about making deals involving shares/stakes comprising the registered capital of business entities having strategic significance	17
Article 15. Legal consequences of failure to meet requirements this Federal Law.....	17
Article 16. Effectiveness of this Federal Law in time	18
Article 17. Entering this Federal Law into force	19

Article 1. Goals of this Federal Law

For guaranteeing national defense and state security, this Federal Law shall set exceptions of restrictive nature for foreign investors and for a group of persons the foreign investor joins (the “group of persons”) in their participation in registered capital of business entities having strategic significance for national defense and state security, and/or in their making deals resulting in control over the said business entities.

Article 2. Relations Regulated by this Federal Law and its Application Sphere

1. This Federal Law shall regulate relations that pertain to making, by foreign investors or a group of persons, investment in the form of purchases of shares/stakes comprising registered

capitals of business entities having strategic significance for national defense and state security, as well as that pertain to making other deals as a result which foreign investors or groups of persons establish control over such business entities.

2. Foreign states, international organizations, as well as organizations under their control, including those formed in the Russian Federation, shall not be allowed to make deals entailing the establishment of control over business entities having strategic significance for national defense and state security.

3. Deals being made by foreign states, international organizations, or organizations under their control, if as a result of the deals foreign states, international organizations, or organizations under their control obtain the right to control, directly or indirectly, more than 25% of the total number of votes falling on voting shares/stakes comprising the registered capital of business entities having strategic significance for national defense and state security or, another opportunity to block decisions of management bodies of such business entities or, acquire the right to dispose, directly or indirectly, more than 5% of the total number of votes falling on voting shares/stakes comprising the registered capital of business entities having strategic significance for national defense and state security and engaged in geological studies of subsoil and/or mineral exploration and production in subsoil areas of federal significance (also, the “use of subsoil areas of federal significance”), such deals shall be approved in advance, according to procedures envisaged by this Federal Law.

4. Setting control of foreign states, international organizations, or organizations controlled by them, over business entities having strategic significance for national defense and state security shall be determined in accordance with Article 5 of this Federal Law.

5. Provisions of this Federal Law shall also apply to deals made beyond the Russian Federation, and to other agreements concluded beyond the Russian Federation, if such deals and/or such agreements entail the consequences specified in parts 1-3 of this Article.

6. This Federal Law shall not apply to relations pertaining to foreign investment regulated by other federal laws or duly ratified international treaties whose participant the Russian Federation is. Relations linked to foreign investment in the domain of military and technical cooperation of the Russian Federation with foreign states shall be regulated in accordance with specifics set by Russian Federation legislation on military and technical cooperation.

7. Provisions of this Federal Law which regulate the relations linked to foreign investment into business entities having strategic significance for national defense and state security and engaged in the use of subsoil areas of federal significance, except for provisions of part 3 of this Article, shall not apply to relations linked to foreign investment into business entities having strategic significance for national defense and state security and engaged in the use of subsoil areas of federal significance, if the Russian Federation’s share/stake is more than 50% of the total number of votes falling on voting shares/stakes comprising the registered capital of such business entities and/or, if the Russian Federation is entitled to dispose of more than 50% of the said votes, directly or indirectly.

8. This Federal Law shall not apply to relations that pertain to making foreign investment in objects of civil rights, except for the objects of civil rights specified in part 1 of this Article.

Article 3. Key Terms Used in this Federal Law

1. The following key terms are used in this Federal Law:

1) **a threat to national defense and state security** – an array of conditions and factors creating danger for vital interests of individual, society and/or the state;

2) **A business entity having strategic significance for national defense and state security (below also - the business entity having strategic significance)** – a business entity formed in the Russian Federation and engaged in at least one of the activities that have strategic significance for national defense and state security and that are specified in Article 6 of this Federal Law;

3) **control of a foreign investor or a group of persons over a business entity having strategic significance for the Russian Federation's national security (also, the "control")** – capability of a foreign investor or a group of persons, directly or via third entities, to determine decisions made by the business entity having strategic significance, by means of managing the votes falling on voting shares/stakes comprising the registered capital of such business entity, at a general meeting of stockholders/participants of such business entity, by means of participating in the board of directors (supervisory board) or in other managing bodies of such business entity, making with such business entity a contract on implementation in its respect functions of a manager (a management organization) or a similar agreement, as well as opportunity of a foreign investor or a group of persons to dispose, directly or indirectly, 10% or more of the total number of votes falling on voting shares/stakes comprising the registered capital of the business entity having strategic significance and engaged in the use of subsoil areas of federal significance or, the right of the foreign investor or the group of persons to appoint a single executive body and/or, 10% or more of the membership of the collegiate executive body of such business entity or, an unconditional opportunity of the foreign investor or the group of persons to elect 10% or more of membership of the board of directors (the supervisory board) or another collegiate management body of the controlled entity;

4) **indirect control, by a foreign investor or a group of persons, over votes falling on voting shares/stakes comprising the registered capital of a business entity having strategic significance** - an opportunity for the foreign investor (a group of persons) to actually manage, through third persons, the votes falling on the voting shares/stakes comprising the registered capital of the business entity having strategic significance;

5) **an opportunity to block decisions of management bodies of business entities having strategic significance** - an opportunity for the foreign investor or a group of persons, directly or through other parties, to make obstacles to decision making by management bodies of business entities having strategic significance, in case where, in accordance with Russian Federation legislation and the charter of the business entity, such decisions are made by a qualified majority.

2. The term "foreign investor" shall be used in the meaning specified in Article 2 of Federal Law #160-FZ of July 9, 1999, "On foreign Investment in the Russian Federation". For purposes of this Federal Law foreign investors shall also mean organizations under control of foreign investors, including those formed in the Russian Federation. For determining the fact of control of foreign investors over such organization, provisions of parts 1 and 2 of Article 5 of this Federal Law shall be applied.

3. The terms "group of persons", "agreement", "concerted action" shall be used, respectively, in the meaning specified in the Federal Law #135-FZ of July 26, 2006, "On Protection of Competition" (the Federal Law "On Competition Protection").

Article 4. Terms and Conditions for Making Deals Entailing the Establishing, by a Foreign Investors or a Group of Persons, of Control over Business Entities having Strategic Significance

1. Making deals entailing the establishing, by foreign investors or a group of persons, of control over business entities having strategic significance shall be allowed provided a decision is available on preliminary coordination of such deals in accordance with this Federal Law, the decision that is to be formalized by the federal executive body authorized for control over foreign investment in the Russian Federation (the “authorized body”) and that has a definite effective term, except for the case envisaged by part 4 of this Article.
2. A foreign investor or a group of persons upon whose application a decision was made on preliminary coordination of a certain deal shall be allowed to make this deal within the effective term of the said decision.
3. A foreign investor or a group of persons, upon whose application a decision was made on preliminary coordination of a deal, as a result of which deal the foreign investor or the group of persons gains the right to manage, directly or indirectly, a certain number of votes falling on voting shares/stakes comprising the registered capital of a business entity having strategic significances, shall be allowed, within the effective term of the said decision, to acquire, as a result of one or several deals, the right to manage, directly or indirectly, the coordinated number of votes falling on voting shares/stakes comprising the registered capital of such business entity.
4. Not subject to preliminary coordination shall be deals involving shares/stakes of a business entity having strategic significance and other deals envisaged by Article 7 of this Federal Law in respect of such business entity (except for a business entity having strategic significance and engaged in the use of a subsoil area of federal significance) in case before making such deals, the foreign investor or the group of persons managed, directly or indirectly, more than 50% of the total number of votes falling on voting shares/stakes comprising the registered capital of the said business entity.

Article 5. Signs of a Strategic Business Entity Being under Control

1. A business entity having strategic significance – a controlled person, except for a business entity having strategic significance and engaged in the use of a subsoil area of federal significance, shall be deemed as being under control of a foreign investor, a group of persons - the controlling person - if one of the following signs is available:
 - 1) the controlling person have the right to manage, directly or indirectly (including that under a contract of trust management of property, a contract of special partnership, a contract of agency or as a result of other deals or, under other grounds), more than 50% of the total number of votes falling on voting shares/stakes comprising the registered capital of the controlled person;
 - 2) the controlling person gained, based on a contract or under other grounds, the right or authority to determine decisions being made by the controlled person, including terms and conditions of the controlled person’s business activities;
 - 3) the controlling person has the right to appoint the single executive body and/or more than 50% of the membership of the collegiate executive body of the controlled person and/or, has an unconditional opportunity to elect more than 50% of the board of directors (supervisory council) or other collegiate management body of the controlled person;

4) the controlling person implements authority of the controlled person's managing company.

2. The controlled person shall be deemed as being under control of the controlling person also in case the sign is available according to which the controlling person has the right to manage, directly or indirectly (including that under a contract of trust management of property, a contract of special partnership, a contract of agency or as a result of other deals or, under other grounds), less than 50% of the total number of votes falling on voting shares/stakes comprising the registered capital of the controlled person, provided the ratio of the number of votes falling on the said shares/stakes, which the controlling person is entitled to manage, and the number of votes falling on the voting shares/stakes comprising the registered capital of the controlled person and being owned by other shareholders/participants is such that the controlling person have an opportunity to determine decision being made by the controlled person.

3. A business entity having strategic significance and engaged in the use of a subsoil area of federal significance - the controlled person - shall be deemed being under control of a foreign investor, a group of persons - the controlling person - if one of the following signs is available:

1) the controlling person has the right to manage, directly or indirectly (including that under a contract of trust management of property, a contract of special partnership, a contract of agency or as a result of other deals or, under other grounds), 10% or more of the total number of votes falling on voting shares/stakes comprising the registered capital of the controlled person;

2) the controlling person gained, based on a contract or under other grounds, the right or authority to determine decisions being made by the controlled person, including to determine terms and conditions of the controlled person's business activities;

3) the controlling person has the right to appoint the single executive body and/or more than 10% of the membership of the collegiate executive body of the controlled person and/or, has an unconditional opportunity to elect more than 10% of the board of directors (supervisory council) or other collegiate management body of the controlled person;

4) the controlling person implements authority of the controlled person's managing company.

Article 6. Activities having strategic significance for national defense and state security

For purposes of this Federal Law, activities having strategic significance for national defense and state security shall include the following activities:

1) operations in active influence on hydrometeorological processes and phenomena;

2) operations in active influence on geophysical processes and phenomena;

3) activities related to the use of pathogenes of infection diseases;

4) placing, construction, operation and decommissioning of nuclear devices, radiation sources and places of storage of nuclear materials and radioactive substances, storages of radioactive waste;

- 5) handling of nuclear materials and radioactive isotopes, including that in exploration and production of uranium ores, in production, use, processing, transportation and storage of nuclear materials and radioactive substances;
- 6) handling of radioactive waste in its storage, processing, transportation and burial;
- 7) use of nuclear materials and/or radioactive substances in scientific research and development;
- 8) design and construction of nuclear devices, radiation sources, places of storage of nuclear materials and radioactive substances, storages of radioactive waste;
- 9) design and manufacture of equipment for nuclear devices, radiation sources, places of storage of nuclear materials and radioactive substances, storages of radioactive waste;
- 10) expert review of design-, construction- and technical documentation and documents substantiating nuclear and radiation safety of nuclear devices, radiation sources, places of storage of nuclear materials and radioactive substances, storages of radioactive waste, activities in disposal of nuclear materials, radioactive substances and radioactive waste;
- 11) design and manufacture of coding/cryptographic equipment protected using coding/cryptographic means of information systems, telecommunication systems, licensable in accordance with Russian Federation legislation;
- 12) activity on dissemination of coding/cryptographic equipment, licensable in accordance with Russian Federation legislation;
- 13) activity in technical servicing of coding/cryptographic equipment, licensable in accordance with Russian Federation legislation;
- 14) rendering services in information coding;
- 15) activities in revealing electronic devices intended for secret reception of information in compartments and in technical installations (except for cases where the said activity is done for ensuring the legal entity's own needs);
- 16) design, manufacture, sales and purchases for selling purposes of special technical devices intended for secret reception of information, by legal entities engaged in business activities;
- 17) design of weapons and military machinery;
- 18) manufacture of weapons and military machinery;
- 19) repairs of weapons and military machinery;
- 20) disposal of weapons and military machinery;
- 21) trade in weapons and military machinery;
- 22) manufacture of arms and main parts of firearms (except for manufacture of cold, civil and service arms);

- 23) manufacture of cartridges of arms and components (except for manufacture of cartridges to civil and service arms);
- 24) trade in arms and main parts of firearms and cartridges (except for trade in cold, civil and service arms and cartridges to civil and service arms);
- 25) design and manufacture of ammunition and its components;
- 26) disposal of ammunition and its components;
- 27) manufacture of explosives for industrial purposes and activity on their dissemination;
- 28) activities in securing aviation safety;
- 29) space activity;
- 30) design of aviation machinery, including aviation machinery of double purpose;
- 31) manufacture of aviation machinery, including aviation machinery of double purpose;
- 32) repairs of aviation machinery, including aviation machinery of double purpose (except for repairs of units and devices by civil aviation organizations);
- 33) tests of aviation machinery, including aviation machinery of double purpose;
- 34) TV broadcasting in an area within which the population comprising half or more than half of population of a Russian Federation constituent part dwells;
- 35) radio broadcasting in an area within which the population comprising half or more than half of population of a Russian Federation constituent part dwells;
- 36) rendering of services by a business unit included to the register of subjects of natural monopolies in domains specified in part 1 of Article 4 of the Federal Law # 147-FZ of August 17, 1995 "On Natural Monopolies", except for subjects of natural monopolies in services of general-access electric communications and general-access postal communications, services in transmission of heat energy and transmission of electric energy by distribution networks;
- 37) activity of a business unit included to the register envisaged by the Article 23 of the Federal Law "On Protection of Competition" and having a dominant position:
 - a) within geographic boundaries of the Russian Federation, in the market of communication services (except for the service in providing access to the Internet);
 - b) in 5 or more Russian Federation constituent parts, in the market of services of fixed phone communications;
 - c) in geographic boundaries of cities of federal significance, in the market of services of fixed phone communications;
- 38) activities of a business entity occupying the dominating position in the design, production and sales of metals and alloys having special properties and used in the manufacture of arms and military machinery;

39) geological studies of subsoil and/or mineral exploration and production in subsoil areas of federal significance;

40) production/catch of water biological resources;

41) polygraphist activities by a business unit, if such business unit can provide for printing of at least 200,000,000 pages of prints a month;

42) activities, by a business entity, of an editorial office of a publisher of a periodic printed mass media whose production is issued with circulation of an individual issue of at least 1,000,000 copies.

Article 7 . Deals to which this Federal Law is applicable

1. Deals subject to preliminary approval in accordance with this Federal Law shall include the following kinds of deals:

1) deals (except for deals in respect of shares/stakes comprising the registered capital of a business entity having strategic significance and engaged in the use of a subsoil area of federal significance) as a result of which deals, the foreign investor or a group of persons acquires:

a) the right to manage, directly or indirectly, more than 50% of the total number of votes falling on the voting shares/stakes comprising the registered capital of a business entity having strategic significance;

b) the right to appoint the single executive body and/or, more than 50% of the collegiate executive body of the business entity having strategic significance and/or, an unconditional opportunity to elect more than 50% of the Board of directors (the supervising Board) or other collegiate management body of the such business entity;

2) deals in respect of shares/stakes comprising the registered capital of a business entity having strategic significance and engaged in the use of a subsoil area of federal significance as a result of which deals the foreign investor or the group of persons gains:

a) the right to manage, directly or indirectly, more than 10% of the total number of votes falling on the voting shares/stakes comprising the registered capital of such business entity;

b) the right to appoint the single executive body and/or, more than 10% of the collegiate executive body of such business entity and/or, has an unconditional opportunity to elect more than 10% of the Board of directors (the supervising Board) or other collegiate management body of such business entity;

3) deals aimed at purchases, by a foreign investor or a group of persons, of shares/stakes comprising the registered capital of a business entity having strategic significance and engaged in the use of a subsoil area of federal significance, given this foreign investor or this group of persons has the right to manage, directly or indirectly, 10% or more of the total number of votes falling on the voting shares/stakes comprising the registered capital of such business entity;

4) contracts on implementation, by a foreign investor or a commercial organization joining a group of persons or an individual businessman, of functions of manager (managing organization) in respect of a business entity having strategic significance;

5) deals aimed at getting, by a foreign state, an international organization or an organization under their control, of the right to manage, directly or indirectly, more than 25% of the total number of votes falling on the voting shares/stakes comprising the registered capital of a business entity having strategic significance or another opportunity to block decisions of management bodies of such business entity or, the right to manage, directly or indirectly, more than 5% of the total number of votes falling on the voting shares/stakes comprising the registered capital of a business entity having strategic significance and being engaged in the use of subsoil areas of federal significance;

6) other deals aimed at transferring to a foreign investor or to a group of persons the right to determine decisions of management bodies of a business entity having strategic significance, including terms and conditions of its business activities.

2. Deals specified in Clauses 1 and 2 of part 2 of this Article shall include, in particular:

1) contracts of sales and purchases, of gift, of exchange of voting shares/stakes comprising the registered capital of a business entity having strategic significance, as well as other deals based on which the title for the said shares/stakes transfers to the foreign investor or the group of persons;

2) contracts of trust management and/or agreements of this kind, whose subject matter is voting shares/stakes comprising the registered capital of a business entity having strategic significance.

3. Deals entailing the setting of control over a business entity having strategic significance and to be approved in advance in accordance with this Federal Law (the “deals”) shall also include any deals, given they are made by a foreign investor or a group of persons in respect of third parties who control, directly or indirectly, a business entity having strategic significance and given they result in establishing control of a foreign investor or a group of persons over such business entity.

4. Requirements of this Article equally with cases envisaged by parts 1-3 of this Article shall apply to other cases of purchases of shares/stakes as whose result a foreign investor or a group of persons gets, directly or indirectly, control over a business entity having strategic significance, including that by means of implementation, by a foreign investor or a group of persons, of a duty to purchase securities of such entity in accordance with Article 84² of the Federal Law #208-FZ of December 26, 1995, “On Joint-Stock Companies“.

5. If a foreign investor or a group of persons obtained control over a business entity having strategic significance as a result of changes in the ratio of votes falling on voting shares/stakes that comprise the charter capital of such business entity, at general meeting of its shareholders/participants by means a purchase by such business entity, a transfer to it or, redemption, by it, of its own shares (stakes comprising its registered capital), redistribution of the such business entity-owned shares among its participants, conversion of preferred shares into ordinary shares and under other grounds envisaged by the Russian Federation legislation, such foreign investor or group of persons must apply for coordination of the establishing the control according to procedures stipulated by this Federal Law within 3 months from his getting control over such business entity.

Article 8. Procedure for submitting applications for preliminary approval of a deal and applications for coordination of establishing the control

1. A foreign investor or a legal entity or a person that joins the group of persons who intends to make any of the deals specified in parts 1-4 of Article 7 of this Federal Law or, who has set control over a business entity having strategic significance, in accordance with part 5 of Article 7 of this Federal Law (hereinafter also, “the applicant”), must submit, in 2 copies, to the authorized body, respectively, an inquiry for preliminary coordination of such deal (a definite deal or deals as a result of which the applicant gains the right to manage, directly or indirectly, a certain number of votes falling on voting shares/stakes comprising the registered capital of the business entity having strategic significance), an inquiry for coordination of the control (hereinafter also, “the inquiry”).

2. The inquiry for preliminary coordination of a deal shall include the following documents:

1) application for preliminary approval of the deal, including a proposal on the effective timeframe of the decision on the preliminary coordination of the deal, addressed to the authorized body and compiled in arbitrary form (in case of submittal of an inquiry for preliminary coordination of deals as a result of which the applicant gains the right to manage, directly or indirectly, a certain number of votes falling on voting shares/stakes comprising the registered capital of the business entity having strategic significance, the application for preliminary coordination of the deals must specify the number of votes falling on the said voting shares/stakes the right to manage which the applicant intends to gain);

2) document confirming the fact of state registration of the applicant – a legal entity or an individual businessman – in accordance with legislation of the respective country or, another document confirming the creation of the applicant who is a legal entity;

3) document confirming the identity of the applicant who is an individual;

4) document confirming the creation of the applicant who is a foreign organization and not a legal entity, in accordance with legislation of the country where it was established;

5) constituent documents of the applicant who is a legal entity;

6) draft contract or another agreement disclosing the content of the deal (except for the case of submittal of an inquiry for preliminary coordination of deals as a result of which the applicant gains the right to dispose, directly or indirectly, a certain number of votes falling on voting shares/stakes comprising the registered capital of the business entity having strategic significance);

7) document containing information on main activities of the applicant which were implemented by the applicant within 2 years prior to the inquiry submittal date or, within the timeframe of such activity if the timeframe of activities of such applicant is less than 2 years, compiled in arbitrary form (except for deals being made by a foreign state);

8) document containing information on the structure of the group of persons the applicant joins, as well as information on his participation in the agreement or his implementation of concerted action which have essential influence of activities of the business entity having strategic significance and are connected with participation of such entity in implementation of the activities envisaged by Article 6 of this Federal Law;

9) document containing information on the entity controlling the applicant and on signs of the applicant's being under control, in accordance with Article 5 of this Federal Law;

10) draft business plan of the business entity having strategic significance, in accordance with the activity/activities specified in Article 6 of this Federal Law, and according to the form approved by the authorized body (except for cases of the deals specified in Clauses 2, 3, 5 of part 1 of Article 7 of this Federal Law, and cases of deals being made by a foreign state);

11) document containing information on the shares/stakes comprising the registered capital of a business entity having strategic significance and owned by the applicant, as well as on other circumstances existing as of the inquiry submittal date and entailing, in accordance with this Federal Law, the establishment of control of the foreign investor (group of persons) over the business entity having strategic significance.

3. The inquiry for coordination of control shall include an application on coordination of the control, addressed to the authorized body and compiled in arbitrary form, as well as documents specified in Clauses 2 - 5, 7 - 9 and 11 of part 2 of this Article.

4. The applicant has the right to provide to the authorized body duly certified copies of the documents specified in Clauses 2-5 of part 2 of this Article.

5. The applicant has the right to submit to the authorized body within his inquiry, along with the documents stipulated by part 2 or 3 of this Article, other documents and information which he deems necessary for confirmation of the fact of control and signs of the business entity's being under control in accordance with Article 5 of this Federal Law.

6. In case, under a deal specified in Article 7 of this Federal Law, the fact of the applicant's gaining control over a business entity having strategic significance is not evident, the applicant shall be allowed to send to the authorized body an inquiry about the need to coordinate such deal in accordance with this Federal Law, with attached documents specified in Clauses 2-5, 7-9 and 11 of part 2 of this Article. Within 30 days after this inquiry is received by the authorized body, it must consider this inquiry and send a relevant response to the applicant and also inform about this inquiry and such response the Governmental Commission on control over foreign investment in the Russian Federation (the "Commission") headed by the Russian Federation Government Chairman.

Article 9. Procedures for consideration of application by the authorized body

1. Within 14 days after the application is received, the authorized body must:

1) register the application;

2) check if the application contains the documents specified in part 2 or 3 of Article 8 of this Federal Law. In case not all of the said documents are present in the application, the authorized body shall send the applicant an inquiry on the need to provide the lacking documents. In case the applicant fails to file the lacking documents within 1 month after the inquiry was sent, the authorized body shall return the application to the applicant without considering it;

3) determine the fact the applicant establishing control over a business entity having strategic significance as a result of the intended deal or in accordance with part 5 of Article 7 of this Federal Law,.

2. In case the authorized body, when considering the application, determines that the applicant failed to establish control over the business entity having strategic significance or in accordance with part 5 of Article 7 of this Federal Law, the authorized body must, within 3 business days after the said fact is determined, decide on returning the application to the applicant, with the reasons for making such decision specified and, must send the said decision to the applicant, a copy of the said decision to the Commission, except for the case envisaged by part 3 of this Article. In this case preliminary coordination of the said deal or coordination of establishing the control shall not be necessary

3. In case the authorized body, when considering the application, determines that the applicant failed to establish control over the business entity having strategic significance as a result of the intended deal but the deal is subject to coordination in accordance with Clause 5 of part 1 of Article 7 of this Federal Law, then the authorized body must, within 30 days after this fact is established, make the action stipulated by Article 10 of this Federal Law.

4. In case the authorized body, when considering the application, determines that, in accordance with part 2 of Article 2 of this Federal Law, the applicant is not allowed to make deals entailing the setting of control over a business entity having strategic significance, the authorized body must, within 3 business days after the said fact is established, decide on returning the application to the applicant with the reasons for making such decision specified and, send the said decision to the applicant and a copy of the said decision to the Commission.

5. In case the authorized body, when considering the application, determines that the applicant establishes, as a result of the intended deal or in accordance with part 5 of Article 7 of this Federal Law, control over a business entity having strategic significance, the authorized body must, within 30 days after the said fact is established, make the action stipulated by Article 10 of this Federal Law.

Article 10. Procedures for checking business entities having strategic significance

1. Within 3 business days after the facts specified in parts 3 and 5 of Article 9 of this Federal Law are determined, the authorized body must send to the federal executive body for security an inquiry on providing information on occurrence of a threat to national defense and state security or, on the absence of such threat as a result of the respective deal in respect of the business entity having strategic significance or, shares/stakes comprising the registered capital of such business entity or, as a result of setting control in accordance with part 5 of Article 7 of this Federal Law over such business entity and, within not more than 30 days from the day the said facts have been determined, shall check compliance of such business entity with following signs:

1) this business entity's possession of licenses for activities stipulated in Article 6 of this Federal Law and that are subject to licensing according to the Russian Federation legislation;

2) this business entity's possession of the license for operations related to the use of information comprising state secrets;

3) this business entity's possession of licenses for foreign trade deals involving controlled goods and technologies, determined in accordance with Russian Federation legislation on export control;

- 4) this business entity's possession of the right for foreign trade activities in respect of products of military purposes;
 - 5) this business entity's supplies of production (work, services) under the state military order within the last 5 years preceding to the inquiry submittal year;
 - 6) presence of this business entity in the register of subjects of natural monopolies
 - 7) this business entity's activities of a business subject occupying a dominant position in the market of communication services;
 - 8) presence of this business entity in the register envisaged by Article 23 of the Federal Law "On Competition Protection";
 - 9) this business entity's possession of exclusive rights for results of intellectual activity in technologies having important social and economic significance or important significance for national defense and security (critical technologies), whose list is to be approved by the Russian Federation Government, except for exclusive rights transferred by the applicant to this business entity;
 - 10) this business entity's possession of the right for geological studies of subsoil and/or mineral exploration and production in subsoil areas of federal significance;
 - 11) availability of a decision of a state power body and a contract with this business entity, on whose basis the right to produce/catch water biological resources categorized as fishery objects emerged with it;
 - 12) this business entity's possession of a license for activities in rendering communication services for TV broadcasting, radio broadcasting or a contract with an organization having such license on rendering communication services for TV broadcasting, radio broadcasting.
2. A copy of the application shall be attached to the inquiry specified in part 1 of this Article.
 3. The federal executive body for security shall, within 20 days after the appeal from the authorized body is received, send to the authorized body an opinion on occurrence of a threat to national defense or state security or on absence of such threat, as a result of making the respective deal or a result of establishing the control in accordance with part 5 of Article 7 of this Federal Law.
 4. In case a business entity having strategic significance complies with the sign specified in clause 2 of part 1 of this Article, then the authorized body shall, within 3 business days after this fact is determined, send an inquiry to the interagency commission for protection of state secrets, on providing information on availability of a respective international treaty of the Russian Federation, based on which the applicant – a foreign individual or foreign individuals – officials and employees of the applicant – a legal entity – may be given access to the information comprising state secrets.
 5. The interagency commission for protection of state secrets shall, within 14 days after the inquiry from the authorized body is received, send to the authorized body an opinion on availability of the international treaty of the Russian Federation envisaged by part 4 of this Article.

6. Within 3 days after the check stipulated in part 1 of this Article and after the opinion of the federal executive body for security and the opinion of the interagency commission for protection of state secrets specified in parts 3 and 5 of this Article (in case where, in accordance with part 4 of this Article, such inquiry was sent) are received by the authorized body, the authorized body shall send to the Commission the said opinions, inquiry obtained as a result of the checks envisaged by Clauses 2 and 3 of part 1 of Article 9 of this Federal Law, by part 1 of this Article, materials, as well as its own proposals in respect of the decision on preliminary coordination of the deal or on coordination of the setting of control or, the decision on refusal for preliminary coordination of the deal or coordination of the setting of control.

7. Decisions, action/inaction of the authorized body in respect of consideration of the application and check of business entities having strategic significance may be duly appealed by the applicant to the court.

Article 11. Consideration of inquiries by the Commission

1. The Commission shall, within 30 days after it receives the application, opinions and the documents specified in part 6 of Article 10 of this Federal Law, make one of the following decisions:

- 1) on preliminary coordination of the deal or on coordination of the establishment of control;
- 2) on preliminary coordination of the deal or on coordination of the establishment of control in case of availability of an agreement with the applicant on ensuring the applicant's fulfillment of commitments envisaged by Article 12 of this Federal Law;
- 3) on refusal in preliminary coordination of the deal or coordination of setting the control.

2. The effective term of the decision on preliminary coordination of the deal shall be determined by the Commission based on the applicant's proposal and shall be specified in this decision.

3. Preliminary coordination of the deal or coordination of the establishment of control or refusal of such coordination shall be formalized based on the Commission's decision within 3 business days after it is adopted by a decision of the authorized body, which shall be sent to the applicant.

4. The timeframe for considering an application by the authorized body and the Commission may not exceed 3 months from the date the application is registered by the authorized body until the date of preliminary coordination of the deal or coordination of the establishment of control or, refusal of preliminary coordination of the deal or of coordination of the establishment of control which are formalized by a respective decision of the authorized body. In exceptional cases, upon a decision of the Commission, the timeframe for considering an inquiry may be extended for 3 months.

5. Regulations of the Commission and its membership shall be approved by the Russian Federation Government.

6. Procedures for preliminary coordination of the deal, for coordination of the establishment of control and procedures for consideration of applications, in part not regulated by this Federal Law, shall be set by the Russian Federation Government.

7. A decision of the Commission on refusal of preliminary coordination of the deal or coordination of the establishment of control and a decision of the Commission on preliminary coordination of the deal or on coordination of the establishment of control may be appealed to the Supreme Arbitration Court of the Russian Federation.

Article 12. Procedures for the Commission deciding on preliminary coordination of the deal or on coordination of the setting of control, provided presence of an agreement with the applicant on insuring his fulfillment of certain commitments

1. In case the Commission intends to decide on preliminary coordination of the deal or on coordination of the establishment of control upon availability of an agreement with the applicant on ensuring his fulfillment of commitments determined by this part, the Commission shall, before making the said decision, determine one or several of the following commitments to be placed on the applicant:

1) formation of management bodies of the business entity having strategic significance out of individuals who, in accordance with Russian Federation legislation, may have access to information comprising state secrets and, such business entity's fulfillment of action in protection of state secrets in accordance with Russian Federation legislation on protection of state secrets, including, if necessary, the support of access of the applicant – an individual or officials or employees of the applicant – a legal entity – to the information comprising state secrets, formalization of this access in accordance with Russian Federation legislation on protection of state secrets;

2) continuation of implementation, by such business entity, of deliveries of production (work, services) under the state defense order;

3) continuation of implementation, by such business entity, of work for support of mobilization capacities;

4) implementation, by such business entity of activities in rendering of services at prices/tariffs set in accordance with Russian Federation legislation on natural monopolies;

5) implementation of the business plan, presented by the applicant, of such business entity;

6) immediate implementation, by such business entity, of action to be determined in accordance with Russian Federation legislation in conditions of introduction of the martial law or state of emergency in the Russian Federation or, in some areas of it where such business entity is located.

7) preservation, by such business entity, of its staff on the payroll within the timeframe determined by the decision on preliminary coordination of the deal or on coordination of setting the control;

8) processing, on the territory of the Russian Federation, of minerals being produced by the business entity having strategic significance and engaged in the use of a subsoil area of federal significance.

2. The commitments which are specified in part 1 of this Article and the ground for whose occurrence are requirements set by federal laws or by other legal regulatory acts of the Russian Federation must be placed on the applicant unconditionally.

3. In case envisaged by part 1 of this Article, the Commission shall, before preliminary coordination of the deal or coordination of setting the control, determine a list of commitments to be placed on the applicant and, shall notify about them the authorized body which shall prepare an agreement with the applicant on providing his fulfillment of the said commitments. An agreement with the applicant on providing his fulfillment of the said commitments shall mean a document which shall be signed by the authorized body and the applicant and in accordance with which the applicant shall commit to provide for fulfillment of the said commitments and, which determines the terms and conditions of fulfillment of the said commitments by the applicant and the applicant's responsibility for their violation according to this Federal Law. Such agreement shall be made within 20 days after the Commission notified the authorized body on the said commitments, and this making shall precede the making of a decision on preliminary coordination of the deal or on coordination of the establishment of control. An exemplary form of such agreement, with the list of its essential terms and conditions specified, shall be approved by the authorized body. An agreement signed by the authorized body and the applicant, or a notice on the applicant's refusal to assume, entirely or partially, the said commitments shall be sent by the authorized body to the Commission.

4. The commitments being placed on the applicant in accordance with this Article must be specified in the Commission's decision on preliminary coordination of the deal or, on coordination of the establishment of control. The commitments being placed on the applicant and determined in the agreement specified in part 3 of this Article must comply with the commitments specified in the Commission's decision on preliminary coordination of the deal or on coordination of the establishment of control, except for the case where changes are being made to such agreement in accordance with part 7 of this Article. Such agreement shall come into force simultaneously with the Commission's making the said decision.

5. In case the applicant refused to assume, entirely or partly, the commitments determined by the Commission in accordance with this Article, the Commission shall decide on refusal of preliminary coordination of the deal or on refusal of coordination of the establishment of control.

6. The agreement specified in part 3 of this Article shall keep its force within the entire time period until the business entity having strategic significance is under control of the applicant.

7. Making by the authorized body a decision on changing the terms and conditions of the agreement specified in part 3 of this Article upon consent of parties shall only be allowed based on a decision of the Commission and shall be carried out in the same form and according to the same procedures as those for the said agreement. No changes are required to be made to the decision on preliminary coordination of the deal or on coordination of the establishment of control concerning changing the commitments being placed on the applicant. Changes shall be made to terms and conditions of this agreement only in connection with an essential change in the circumstances from which the agreement's parties proceeded while making it.

8. The agreement specified in part 3 of this Article must envisage, in addition to those specified in part 4 of Article 15 of this Federal Law, consequences of the applicant's failure to fulfill the commitments assumed in accordance with such agreement, including forfeit, other action of civil-law liability, as well as procedures for recovery of losses caused by such failure to fulfill.

Article 13. Rights and duties of the authorized body and investigation units of the federal executive bodies for security

1. The authorized body shall have the right to demand and receive documents specified in Articles 9 and 10 of this Federal Law.
2. The authorized body shall be allowed, in case of necessity, duly initiate an expert assessment of information to which the applicant can have access, concerning their categorization as information comprising state secrets.
3. The authorized body shall check the fulfillment, by the foreign investor or a legal entity or an individual, of the commitments he assumed in accordance with Article 12 of this Federal Law.
4. Individuals and legal entities, including holders of registers of stockholders of a business entity having strategic significance for the Russian Federation's national security, must, upon a demand from the authorized body provide reliable documents, written or oral explanations and other information which is needed for the authorized body's implementation of its authority.
5. Information that comprises state-, commercial, service secrets or other secrets protected by law and that was obtained by the authorized body during implementation of the authority stipulated by this Federal Law shall not be divulged, except for cases determined by the Russian Federation legislation. For divulgence of the said information, officials of the authorized body shall bear responsibility stipulated by Russian Federation legislation. Damage inflicted on individuals and legal entities as a result of divulgence, by the authorized body, of the said information shall be recovered according to procedures stipulated by Russian Federation legislation.
6. For the purpose of determination of a fact of establishment, by a foreign investor or a group of persons of control over a business entity having strategic significance, as well as a fact of availability, between the foreign investor and third parties, an agreement and/or their concerted action aimed at establishing the control over a business entity having strategic significance, investigation units of the federal executive body for security shall be allowed to make investigation according to procedures stipulated by Russian Federation legislation on investigation activities. Results thus obtained of the investigation activities of investigation units of the federal executive body for security may be admissible proof under lawsuits specified in Article 15 of this Federal Law.

Article 14. Notifying about making deals involving shares/stakes comprising the registered capital of business entities having strategic significance

Foreign investors or a group of persons must submit to the authorized body the information on purchases of 5% or more of shares/stakes comprising the registered capital of business entities having strategic significance, according to procedures set by the Russian Federation Government.

Article 15. Legal consequences of failure to meet requirements this Federal Law

1. Deals specified in Article 7 of this Federal Law and made with violation of requirements of this Federal Law, shall be null and void.
2. The court shall apply consequences of the ineffectiveness of the null and void deal in accordance with civil legislation. In case where the deal as a result of which the foreign investor or the group of persons has set control over a business entity having strategic significance has

been made without account taken of requirements of this Federal Law and consequences of the ineffectiveness of the null and void deal cannot be applied to the said deal, as well as in case where the foreign investor failed to submit to the authorized body within the set timeframe an application on coordination of the establishment of control in accordance with part 5 of Article 7 of this Federal Law, the court shall, upon a lawsuit of the authorized body, decide to deprive the foreign investor or the group of persons of the voting right at a general meeting of shareholders/participants of the business entity having strategic significance. In case the foreign investor or the group of persons is deprived, by court, of the voting right at a general meeting of shareholders/participants of the business entity having strategic significance, the votes held by the foreign investor or the group of persons shall not be taken into account in determining the quorum of a general meeting of shareholders/participants of such business entity and, in calculating votes at a general meeting of shareholders/participants of such business entity.

3. Decisions of the general meeting of shareholders/participants and other management bodies of such business entity and deals made by such business entity which were made after the acquisition by a foreign investor (group of persons), in violation of requirements of this Federal Law, of control over a business entity having strategic significance may be declared invalid in court procedures upon a lawsuit of the authorized body.

4. Gross or multiple failure, by a foreign investor or by a legal entity or by an individual joining a group of persons, to fulfill the commitments taken by them in accordance with Article 12 of this Federal Law shall result, upon a lawsuit of the authorized body and in court proceedings, in the deprivation of the foreign investor or the group of persons of the voting right at a general meeting of shareholders/participants of the business entity having strategic significance and, no account shall be taken in this case of the votes held by the foreign investor or the group of persons in determining the quorum of a general meeting of shareholders/participants of such business entity and in calculating votes at a general meeting of shareholders/participants of such business entity.

5. If a foreign investor or a group of persons, who had gained control over a business entity having strategic significance have got, according to procedures stipulated by part 5 of Article 7 of this Federal Law, refusal to coordinate the establishment of control then this foreign investor or this group of persons must, within 3 months after the authorized body has sent them a decision on refusal in coordination of the setting of control, alienate a portion of the shares/stake owned by them in such business entity, in such a way that the remaining shares/stake fail to provide this foreign investor or this group of persons with the right of control over such entity. In case the said requirement is not fulfilled, this foreign investor or this group of persons shall be, in court proceedings and upon a lawsuit of the authorized body, deprived of the voting right at a general meeting of shareholders/participants of the business entity having strategic significance and, no account shall be taken of the votes held by this foreign investor or this group of persons in determining the quorum of a general meeting of shareholders/participants of such business entity and in calculating votes at a general meeting of shareholders/participants of such business entity.

Article 16. Effectiveness of this Federal Law in time

1. This Federal Law shall apply to relations linked to foreign investment in the form of purchases of shares/stakes of business entities having strategic significance and to making, by foreign investors or groups of persons, of other deals resulting in the establishment of control over business entities having strategic significance, the relations emerged after this Federal Law has come into force. As for the relations linked to foreign investment in the form of purchases of shares/stakes of business entities having strategic significance and to making, by foreign

investors or groups of persons, of other deals resulting in the establishment of control over business entities having strategic significance, the relations had emerged before this Federal Law has come into force, this Federal Law shall apply to such relations concerning rights and duties which would emerge after its date of coming into force.

2. This Federal Law shall not apply to deals made prior to the date of entering this Federal Law into force.

3. A foreign investor or a group of persons must, within 6 months after this Federal Law comes into force, submit to the authorized body, according to procedures set by the Russian Federation Government, information on the possession, by the foreign investor or the group of persons, of 5% or more shares/stakes comprising the registered capital of a business entity having strategic significance and purchased by the foreign investor or the group of persons before the date of entering this Federal Law into force.

Article 17. Entering this Federal Law into force

1. This Federal Law shall become effective from its official publication date.

Russian Federation President

V. Putin

Moscow, Kremlin
April 29, 2008
57-FZ