

Legal Newsletter – “Changes in Legislation on Joint-Stock Companies”

June, 2009

We would like to draw your attention that there have been introduced the amendments¹ to the Federal Law “On Joint-Stock Companies” (hereinafter – “**JSC Law**”) which provide for some changes with regard to regulation of joint-stock companies (hereinafter – “**JSC**”) in Russia. The new requirements concern, inter alia, the following issues:

- **shareholders agreement**
following the recent amendments to the legislation on limited liability companies² the amendments to the JSC Law now introduce a new legal institute for joint-stock companies– shareholders agreement (hereinafter – “**SHA**”), which can be entered into by the shareholders of the company. In general, this agreement may be considered as an analogue of Western SHA. SHA may provide for the special procedure of voting on the general meetings of shareholders; it may stipulate restrictions in respect of shares’ alienation, including those connected with the price and conditions of such alienation; as well as SHA may provide for other terms and conditions of cooperation in respect of establishment, management, activity, reorganization and liquidation of the company. However, it should be noted that SHA shall not contain obligations of the shareholder to vote in accordance with the instructions of the management bodies of the company.

SHA is obligatory for the parties who enter into the agreement. As a general

¹ Federal Law No.115-FZ dated 03.06.2009

² Federal Law No.312-Φ3 dated 30.12.2008

rule, agreement which has been concluded by the party to SHA in contradiction of SHA can be recognized by the interested party as invalid. However, in case the decisions of the company’s management bodies contradict SHA, these decisions can NOT be recognized as invalid.

The amendments also stipulate the obligation of a shareholder who acquires under SHA the right to dispose either directly or indirectly more than 5, 10, 15, 20, 25, 30, 50 or 75% of the votes in respect of issued ordinary shares of the company shares to inform the company on such acquisition.

SHA may provide for the liability of the shareholders in case of the non-performance or unduly performance of their obligations under the agreement. Rights of the parties to SHA are subject to the judicial protection.

- **formation (termination of powers) of the sole executive body**
the amendments clarify the procedure of formation and termination of powers of the sole executive body of a joint-stock company. In particular, it has been stipulated that if the Board of Directors fails to form (terminate the powers of) the sole executive body, the general meeting of shareholders is entitled to consider this issue. New amendments also describe in details the procedure of disclosure of information in case the Board of Directors does not pass a decision on formation (termination the powers of) of the sole executive body and the procedure for convening meeting of shareholders.

The amendments described herein as well as some other not covered in this Newsletter come into force from the date of their official publication. The amendments have been published in “Rossiskaya Gazeta” as of June 10, 2009.

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This BBH Newsletter is to serve as a general piece of information in respect of certain important news and events taking place in the area of regulation of the activity of joint stock companies in Russia. The contents hereof do not, and shall not, serve as legal advice of any kind.

In the case of your interest, please feel free to contact us and request individual information, advice and/or consultation.

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