

Doing business in Russia

CIS LONDON

Introduction

The Russian legislative landscape is constantly changing, and it can prove hard for a foreign business to keep pace with developments. Compliance with the changes is essential.

Whether a business is permanently established in Russia or is run through a local agent, there are always regulatory and economic considerations that need to be taken into account. Below is an outline of some of the core issues.

Local office in Russia

Having a local office in Russia is deservedly viewed as a sensible business solution offering both direct market presence and the benefits of not having to comply with various regulations imposed on foreign companies. Inevitably, the Russian company has to abide by the laws of the country which may prove very different from the ones its head office is accustomed to.

- *Labour and immigration* is a topic of paramount importance for international businesses; and it becomes particularly relevant if members of staff from elsewhere are relocated to Russia.

Depending on the person's role and level of expertise he or she may qualify for highly skilled migrant status, which makes the transition easier. This, however, tends to be more complicated than it sounds, as there are conditions that both the employer and the employee are expected to meet before the transfer can take place.

Regardless of whether foreign members of staff are transferred to the Russian office, personnel data and record keeping regulations are numerous; and they may appear counter-intuitive and overly bureaucratic, compared to the practices adopted in the West.

- *Intellectual property protection* in Russia is challenging. Trademark licensing or registration need to be carefully considered to protect a business from trademark theft. In the absence of arrangements for a local office to use a trademark in Russia, a business may find it difficult to ship labelled goods to its Russian office due to long delays at customs.

Established international companies entering the Russian market are likely to find that their desired domain names belong to the Russian segment of the Internet taken by rivals or simply opportunistic third parties. Several legal tools may enable a company to obtain the right to use a domain name if it is similar enough to its legal name or a trademark.

- *Personal data protection* has recently become a burning issue. It was originally envisaged that, from 1 September 2016, the personal data of Russian citizens would have to be processed and stored in Russia. Since the laws of Russia define 'personal data' rather widely, virtually every business falls within the scope of the new regulation.

While the law contains no express prohibition of storing a copy of the data outside the country, foreign businesses must have arrangements in place to ensure that they have a database within Russia. This is further complicated by the fact that the deadline could be moved to 1 January 2015 at very short notice: the decision from Russia's higher legislative body on the matter is still pending. Companies are left with little time to comply (engage local data centres, etc.).

- *Anti-bribery rules* in Europe and the United States require that a company and its agents/contractors do not engage in illegal activities. This is commonly ensured through the introduction of respective clauses into the contracts that a company (and its subsidiaries) enters into with third parties.

Agency arrangements

Some of the concerns discussed above are not exclusive to businesses operating through an office in Russia. Intellectual property and anti-bribery considerations, along with other issues forming the principal-agent problem, need to be taken care of when drafting an agency agreement.

It is in the best interest of an international business that its Russian agent abides by the company's policies and performs to the highest corporate standards. Another crucial matter is the agent's accurate, timely and full reporting to the principal. All these provisions need to be carefully drafted in order to be enforceable under the laws of Russia.

CIS London & Partners LLP

How we can help

CIS London & Partners LLP is an international law firm headquartered in London offering exclusively specialised advice on Russian and Kazakh law, which makes us uniquely positioned on the market. Our London team works closely with colleagues based in Moscow and in our associated office in Astana, comprising a network of some 30 lawyers and tax advisers.

We have an extensive experience in helping international clients enter the Russian market and navigate through Russian regulations so to minimise legal risks and increase profitability. Our strengths include the local expertise and a good knowledge of both Eastern and Western cultures and ways of doing business in the region.

Our lawyers have either UK professional qualifications or education and work experience which provides a good understanding of the level of service required by our international clients and professional intermediaries. We speak Russian, Kazakh, English, French, German, Italian and Spanish.

Uniquely, we carry Professional Indemnity underwritten in the United Kingdom in regard to Russian and Kazakh legal advice.

Our credentials

In 2014 The Legal 500 for the second year recognised CIS London & Partners LLP as a Tier 1 Foreign Law Firm in London for Russia. The Legal 500 in their UK edition referred to our firm as follows:

'outstanding' team provides advice on M&A, joint ventures and other cross-border transactions with a Russian element. The office also handles multi-jurisdictional disputes and advises on compliance and regulatory issues. The highly regarded Svetlana London and Victoria Truffaut are recommended.

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