

Amendments to Russian Bankruptcy and Financial Laws

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On July 28, 2012, Russian president Vladimir Putin gave his imprimatur to Federal Law No. 144-FZ, which amends Russian bankruptcy, financial, and banking legislation with the goal of improving regulations governing asset returns and interim management of insolvent banks. Among other things, the amendments change Russian insolvency law to remove executive compensation and bonuses from the list of priority claims in cases involving insolvent companies. The new law amends regulations governing interim administrations of financial and banking entities that have forfeited their operational licenses, and it also revises the powers of the Russian federal deposit insurance agency.

The new legislation amends Articles 5, 20.7, 61.2, 99, 110–111, 115, 126, 129–130, 132, 134, 136, 139, and 143 of Federal Law No. 127-FZ on insolvency (bankruptcy) dated October 26, 2002 (the “Bankruptcy Law”). The amendments alter provisions in the Bankruptcy Law governing creditor claims, interim management during insolvency proceedings, the return of client assets, and evaluation of a banking entity’s assets during insolvency.

The new law also adds a provision to Federal Law No. 40-FZ (February 25, 1999), which governs insolvency proceedings of credit entities. New Article 22.2 sets forth regulations for interim administration of insolvent banks. Article 20 of Federal Law No. 17-FZ (February 3, 1996) was also amended to add provisions designed to ensure, in proceedings involving insolvent banks, the return to clients of securities and other assets acquired by the banks on

behalf of clients in accordance with trust management and brokerage contracts. In addition, Article 40.1 of Federal Law No. 17-FZ was amended to set forth requirements designed to ensure the safety of records and databases of insolvent banks.

The new law was adopted on July 13 by the State Duma, the lower house of parliament, and on July 18 by the Federation Council, the upper house of parliament. It takes effect 90 days after its official publication on August 1, 2012.