

Draft Federal Law “On Amendment of Selected Legislative Acts of the Russian Federation”

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Article 1

Para 4 of Article 8 of the RF law, *On Closed Administrative Territories* (#3297-1 as of 07/14/1992, published in the *Vedomosty of the RF Congress of People’s Deputies and the RF Supreme Council*, #33, 1992, Art. 1915, and in the *Collection of RF Legislation*, #49, 1996, Art. 5503) should be revised to add the following statement: “Establishing and operation of non-profit organizations founded by foreign non-profit non-governmental organizations, and structural units – offices of foreign non-profit non-governmental organizations will be forbidden”.

Article 2

The RF law, *On Public Associations* (#82-FZ as of 05.19.1995 published in the *Collection of RF Legislation*, #21, 1995, Art. 1930; #20, 1997, Art. 2231; #30, 1998, Art. 3608; #11, 2002, Art. 1018; #12, Art. 1093, #30, Art. 3029; 2003, № 50, Art.. 4855; 2004, № 27, Art.. 2711) will be changed as follows:

- 1) Article 2, Part 2 should be revised to discard words “organizations” and “or branches and representative offices” to add the statement reading: “A foreign non-profit non-governmental organization is hereby understood as an organization that does not have profit-making and profit sharing between participants as its business purposes, and is established outside the Russian Federation in accordance with a foreign law with a view to attain goals of public value by non-governmental founders (participants)”.
- 2) In Article 3, Part 4 should be revised to read: “Public associations formed by citizens may be registered under the procedure set by this Federal Law and acquire the state of a legal entity or operate without state registration and acquisition of legal personality but subject to mandatory notification of the fact of its foundation and start-up made under the procedure regulated by the RF Government” and amplified with a following statement: “Structural units – offices of foreign non-profit non-governmental organizations will be established in the form of a public association subject to state registration under the procedure set by this Federal Law.”
- 3) In Article 19, Part 2, the words “stateless persons” should be followed by the wording: “legally domiciling inside the Russian Federation”;
- 4) In Article 21, Parts 11 – 14 should be revised to read: “A decision on state registration of a structural unit – an office of a foreign non-profit non-governmental organization will be made by a federal body responsible for state registration.

This decision will be made on the basis of documents produced in accordance with Part 6 of this Article and signed by the management body of a foreign non-profit non-governmental organization and copies of constituent documents, registration certificates or other title documents that a foreign non-profit non-governmental organization may have.

Documents of a foreign non-profit non-governmental organization will be produced as notarized copies made in the official language of the organization’s home country and in Russian.

After making a decision on state registration of a public association a federal body of state registration or its local office will send data and documents to a registration agency responsible for keeping the unified state register of legal entities.

The registration agency will use a decision made by a federal body of state registration or its local office and data and documents collected by them as a ground for making an entry in the

unified state register of legal entities not later than five days after the receipt of data and documents and then notify the federal body that made a decision on registration of a public association about the fact not later than one working day after the date of making an entry.

A federal body of state registration or its local office will issue a certificate on registration of a public association in the unified state register of legal entities to an applicant not later than three working days after the date of receipt of a notice from the registration agency about registration of an association in the unified register.

A public association will have to pay a fee for state registration or making changes in the charter in the amount and under the procedure set by the RF law.”;

5) In Article 23 Parts 2 – 4 should be revised to read:

“A public association as well as a structural unit – an office of a foreign non-profit non-governmental organization may be denied the state registration if the mission, objectives and business structure of the founder organization of a public association or a foreign non-profit non-governmental organization are in conflict with the RF Constitution, constitutions (charters) of Federation Subjects and other federal laws, and if activities of founder organizations are focused on extremism and money laundering.

It is disallowed to deny the state registration of a public association for reasons of inexpediency of its creation. If a public association is denied the state registration an applicant will be notified about that in writing with specification of violated clauses of the RF legislation which served as a ground for refusal to register an association. Refusal to register a public association as well as avoidance of such registration may be appealed to court”.

6) In Article 27, Article 2, the opening paragraph should be revised to read: “For attainment of charter objectives a public association without the status of a legal entity that has notified a federal body of state registration or its local office about its establishment and start-up as it is required by this law, will have a right to:”;

7) In Article 29, Part 1, the fifth paragraph will be revised to add “financial and economic documents” after the words “management officials of a public association”; and Part 3 of the same article should be revised to read: “Repeated failure of a public association to provide data specified in this Article at a set date will serve as a ground for a body that made a decision on the state registration of this association to claim for termination and removal of this association from the unified register of legal entities.”;

8) In Article 38, Parts 2 – 4 should be revised to read:

“A body that makes a decision on the state registration of a public association will control the compliance of the association’s activities and spending with its charter. The said body will have a right: to ask managerial officials of an association to provide its financial, economic and administrative documents; to send its representatives to take part in association’s events; to check no more than once a year the compliance of the association’s activities with the charter under the procedure set by the federal justice authorities; in event of finding cases of violation of the RF law by a public association or performance adverse to its charter an agency responsible for the decision on the state registration of this association may give a written note of warning to the association’s management officials specifying grounds of this warning and a time period, no less than one month, during which the identified deficiencies should be remedied. A note of warning given by a body responsible for the decision on the state registration of a public association may be appealed to court. Financial authorities will exercise control over public associations’ sources of income, amounts of their receipts and taxes paid in accordance with the RF tax law.

Supervision and control over compliance of public associations with effective codes and standards may be exercised by environmental, firefighting, epidemiologic and other state control and supervision authorities.”;

9) In Article 44:

Part 1 should be revised to add a new paragraph: “a failure to cure a breach served as a ground for suspension of a public association’s activity in the time period set by a federal body of state registration or its local office”; and Part 2 and 3 should be revised to read: “Structural units – organizations, offices of a public association as well as structural units – offices of foreign non-profit non-governmental organizations will be liquidated in case of liquidation of a respective parent public association or a parent foreign non-profit non-governmental organization. A claim to liquidate a nationwide or international public association will be filed by the Prosecutor General of the Russian Federation or a federal body of state registration. A claim to liquidate an interregional, regional or local public association will be filed by a Prosecutor General of a respective Federation Subject under the procedure set by the federal law, *On Russian Federation Prosecutor’s Office* (as amended by the federal law #168-FZ as pf 11/17/1995), or by respective local offices of the federal body of state registration.”;

10) In Article 47, Part 4 words “Organizations, branches or affiliates and representing offices” should be changed to “offices”.

Article 3

The federal law, *On Non-Profit Organizations* (#7-FZ as of -01.12.1996, *Collection of RF Legislation*, 1996, # 3, Art. 145; 1998, # 48, Art. 5849; 2002, # 12, Art. 1093; # 52, Art. 5141) should be revised to include the following changes:

- 1) to add Article 131 reading: “Article 131. State registration of non-profit organizations.
 1. A non-profit organization will be subject to state registration in accordance with the federal law, *On State Registration of Legal Entities and Self-Employers* (#129-FZ as of 08.08.2001) and a specific procedure for registration of non-profit organizations of a specific form set by this federal law.
 2. A decision on state registration of a non-profit organizations established in the form of a non-profit partnership, institution, autonomous non-profit organization, foundation, association, or union by founders other than state and local governmental authorities (hereinafter a non-profit of a specific form) by reason of establishment, reorganization or liquidation of an organization will be made by a federal registration agency or its local offices (hereinafter by an authorized agency).
 3. Information on establishment, reorganization or liquidation of an non-profit of a specific form and other data required by the federal law will be entered into the unified register of legal entities by a federal executive body specified by Article 2 of the federal law, *On State Registration of Legal Entities and Self-Employers*, (hereinafter a registration agency) on the ground of a registration decision made by an authorized body. Enumeration and format of documents required for the state registration will be specified by the RF Government.
 4. Documents for the state registration of a non-profit of a specific form will be presented to the authorized agency not later than three months after the date of the decision to establish the organization.
 5. State registration of a non-profit of a specific form will be conducted against the following documents: an application signed by authorized representatives of an applicant organization with specification of their full names, residence address and contact information; three copies of constituent documents; two copies of a

resolution on establishment of a non-profit organization and approval of its constituent documents with specification of members of its elected (assigned) management board; two copies of founders' data reports; a state duty receipt; address (location) of a permanent office used for communication with a non-profit organization; in case of the use of individual names or symbols protected by the Russian law on intellectual property and copyright protection in the name of a non-profit organization, documents certifying the right to use them; extract from a foreign register of legal entities of the home country of a foreign founder of a non-profit or another document of a similar legal force certifying the legal status of a foreign founder.

6. Documents of foreign legal entities will be presented as notarized copies made in the official language of the home country and in Russian.
 7. If there are no grounds to deny the state registration of a non-profit of a specific form specified in Article 23 of this law, an authorized body will not later than in a month after the date of submission of documents make a decision on the state registration and send data and documents to a registration agency responsible for keeping the unified register of legal entities. On the ground of this decision and data and documents collected by the authorized body a registration agency will make a respective entry in the unified register of legal entities not later than five days after the receipt of the data and documents, and notify the authorized agency about that not later than one working day after the date of entry. An authorized body will issue a registration certificate to authorized representatives of a non-profit organization of a specific form (hereinafter applicants) not later than three days after the date of receipt of a notice from a registration agency stating that a respective entry in the unified register is made.
 8. State registration of non-profit organizations will be charged in the amount and under the procedure set by the RF law.”;
- 2) In Article 15, paragraph 1 should be revised to add after the word “citizens” a statement reading: “aged 18 unless otherwise provided by the federal law”; to add paragraph 11 reading: “1. Foreigners and stateless persons legally domiciling inside the Russian Federation may on a par with Russian citizens act as founders (participants) of non-profit organizations except instances specified by laws and international treaties of the Russian Federation.”
 - 3) In Article 17, Part 1 the wording “a public organization (agency)” should be discarded; in paragraph 3 the working “to a public organization (association) or” should be discarded.
 - 4) Article 23 should be revised to add paragraphs 3 and 4 reading: “3. State registration of changes made in constituent documents of a non-profit organization of a specific form will be conducted under the same procedure and in the same time period as the state registration of a non-profit organization.
4. State fee will be charged for state registration of amendments, introduced into constituent documents of a non-profit, in a manner and amount as envisaged by law of the Russian Federation; add Article 23 to Part 5: “Article 23 \ Reasons for refusal to provide state registration to a non-profit of a specific form”
1. A non-profit of a specific form may be refused to provide state registration to for these reasons: if constituent documents of a non-profit of a specific form run counter federal constitution of the Russian Federation, constitutions (charters) of the RF regions, this federal law or other federal laws; if incomplete package of documents has been submitted for state registration as established by this federal law, or if relevant documents have been drawn up in an

inadequate manner or submitted to inadequate body; if non-profit bearing the same name has been registered before; if it has been found, that submitted constituent documents contained inadequate information; if the name of non-profit hurts morality, national and religious feelings of citizens; if the presence of a foreign citizen or a person destitute of nationality, being a founder (participant) of a non-profit, has been recognized as undesirable in the territory of the Russian Federation; if goals, missions, and forms of activity of a founder of a non-profit run counter to constitution of the Russian Federation, constitutions (charters) of the RF regions, present federal law or other federal laws; if activities performed by a founder of a non-profit are of extremist nature, or encourage the legalization of illegal funds.

2. In case of a refusal to provide state registration to a non-profit of specific form, an applicant will be informed this in a written form not later than in a month following the receipt of relevant documents, with indication of specific RF legal provisions the infringement of which provided the ground for state registration refusal.

3. Non-profit of a specific form may appeal to court on account of state registration refusal. The refusal to provide state registration is not an impediment for repeated submission of documents for registration provided the reasons for refusal have been removed. The repeated state registration application by non profit of a specific form will be examined and relevant decision will be made in a form as envisaged by this federal law";

6) Para 3-8 will be added to Article 32: "3. Non-profit of a specific form will annually submit reports on activity, goals and missions according to constituent documents, with indication of management personnel and confirmation that expenditures are spend in line with constituent documents, to registration authority but not later than March 1. The format of these documents will be approved by federal justice authorities.

4. Authorized agency will supervise how non-profit of a specific form complies with goals and missions according to constituent documents and the RF legislation, including in the sphere of funds spending. As regards non-profit of a specific form, registration authority has the right to: ask management bodies of non-profits to produce financial and economic documents and order documents; delegate their officials to attend the events held by a non-profit; only once a year make inspection to find out whether the activity performed by a non-profit complies with missions and goals as envisaged in its constituent documents, and to do so in a manner as established by federal justice authorities. In case any infringement of the RF law is detected or a non-profit has acted in conflict with missions and goals set up in constituent documents, a written warning with indication of infringement and at least one month removal time will be directed to a non-profit. A non-profit may appeal to a court on account of written warning it has received.

5. Non-profits of a specific form will inform registration authority in case the information as specified in Para 1 of Article 5 of federal law, *On State Registration of Legal Entities and Individual Entrepreneurs*, is changed, except for information concerning obtained licenses, within three days following the occurrence of such changes, and will submit corresponding documents to authorized agency who makes decision to send them over to registration agency. The decision on whether direct corresponding documents to registration agency will be made in the same manner and within the same time as state registration decision. The RF Government will determine the list and the format of documents which are necessary to introduce relevant changes.

6. The amendments introduced in information as specified in Para 1 of Article 5 of Federal Law, *On State Registration of Legal Entities and Individual Entrepreneurs*, will be effective from the date of entry into unified register of legal entities.

7. Repeated non-submission of information in a stated time, as envisaged by present Article, by a non-profit of a specific form will provide the ground for authorized agency to appeal to a court for the purpose of closing down the non-profit.

8. Environmental inspection, fire inspection, sanitary inspection and other supervision and control state bodies will supervise and control whether a non-profit complies with existent norms and standards.";

7) Article 33 will be revised as follows: "Article 33. Responsibility of Non-profit.

1. In case of infringement of this federal law a non-profit will be responsible in compliance with the RF law.

2. Extremist activity, encouragement of legalization of illegal funds, infringement of personal and civic rights and freedoms; repeated and rough infringement of the RF constitution, federal constitution laws, federal laws or other regulatory legal acts or systematic activity running counter goals set up in constituent documents will provide ground to close down or legally prohibit the activity performed by a non-profit of a specific form. Claim of liquidation of a non-profit of a specific form will be filed by authorized agency or public prosecutor of corresponding region of the Russian Federation as envisaged by federal law, *On Public Prosecution of the Russian Federation*" (revised federal law # 168-FZ as of November 17, 1995)".

Article 4

1. This federal law will come into effect from January 1, 2006. .

2. From the effective date of this federal law activities carried out by non-profits organized in the form of non-profit partnership, institution, independent non-profit organization, foundation, association, union, which have other founders (or one of founders) than state governments and / or local self-governments, and which have been registered prior to enactment of this federal law, state registration of amendments introduced into their constituent documents, and closing down of these non-profits will be controlled pursuant to this federal law.

3. Federal registration authorities specified in compliance with Article 2 of Federal Law, *On State Registration of Legal Entities and Individual Entrepreneurs*, (law # 129-FZ as of August 8, 2001), will transfer information on non-profits organized in the form of non-profit partnership, institution, independent non-profit organization, foundation, association, union, which have other founders (or one of founders) than state governments and / or local self-governments, and which have been registered prior to enactment of this federal law, to local registration bodies subordinated to federal registration authorities in a manner and in time as established by the RF Government.

4. Constituent documents of public associations, including their structural units – offices of foreign non-profit non-governmental organizations, as well as non-profits organized in the form of non-profit partnership, institution, independent non-profit organization, foundation, association, union, which have other founders (or one of founders) than state governments and / or local self-governments, and which have been registered prior to enactment of this federal law, must be brought into accordance with this federal law not later than within one year following

the enactment of this federal law. Non-compliance with this requirement gives ground for court decision about closing down of relevant legal entities following the claim by federal registration authorities or local registration bodies.

5. Structural units – branches and representative offices – of foreign non-profit non-governmental organizations with legal status that has not been brought in line with this federal law within one year following the enactment of this federal law will be closed down.

6. Authorized person of a public association, which has been founded prior to enactment of this federal law and has not been legal entity, is obliged to inform federal registration authorities or their local registration bodies, about its foundation and activity and to do so within six months following the enactment of this federal law in a manner and time as established by the RF Government.

President of the Russian Federation

EXPLANATORY NOTE

as regards draft federal law, *On Amendment of Selected Legal Acts of the Russian Federation*.

Designing of draft federal law, *On Amendment of Selected Legal Acts of the Russian Federation*, was caused by the necessity to perform a comprehensive adjustment of procedure of legal regulation of non-profits (excluding non-profits founded by state governments and local self-governments) due to non-existent legal mechanisms for control over the activities performed by non-profits.

Establishment of a unified mechanism, supervising whether activities performed by non-profits comply with legislation and declared goals, aims at ensuring stability of civic society and equality of every legal entity acting to achieve public goals and public good.

1. Most essential amendments will be introduced into federal law, *On Non-profits*, (Article 3 of draft law). The legal provisions envisage the concept of introduction of special procedure for state registration of non-profits organized in the form of non-profit partnership, institution, independent non-profit organization, foundation, association, union, which have other founders (or one of founders) than state governments and / or local self-governments (a non-profit of a specific form).

This procedure envisages as follows:

decision-making on state registration of non-profit of a specific form, by local registration bodies subordinated to Federal Registration Agency which has relevant experience in state registration of public associations; entry of information into a unified state register of legal entities authorized pursuant to Federal Law, *On State Registration of Legal Entities and Individual Entrepreneurs by Body (Federal Tax Service, its Territorial Bodies)*.

In this connection, the draft federal law includes special legislative provisions envisaging a refusal to register a non-profit of a specific form, with extended reasons for refusal, thus ensuring the foundation of those non-profits that really seek to achieve public goals and public good.

The introduction of special procedure for state registration of non-profits of a specific form, stipulates draft law provisions, which provide control of how these non-profits operate to comply with goals prescribed in their constituent documents, and establish responsibility for infringement of law, thus ensuring equal responsibility of every legal entity acting to achieve public goals and public good.

The draft law also specifies provisions envisaging the requirements to founders of non-profits. Specifically, individuals of over 18 years old, i.e. of the age when citizens are able to accrue and execute rights in full, and create and execute civic duties, may act as founders of non-profits.

2. Practical application of legal provisions of federal law, *On Public Associations*, has revealed the necessity to enhance the mechanisms envisaging control over the activity performed by public associations.

The draft law suggests that time for removal of law infringement detected by Federal Registration Service (or its local registration bodies) should be fixed.

The draft law specifies legal provisions stipulating reasons for refusal to carry out state registration of public associations and their subsequent closing down. In this context, the law envisages a possibility for closing down of a structural unit of public association in connection with closing down of relevant public association. The draft law also suggests that a provision on keeping a notice accounting of public associations, which do not have status of legal entity, should be included into federal law, *On Public Associations*. The RF Government should establish a procedure regulating notice accounting. The introduction of accounting of public associations, which have not been registered as legal entities, does not seek to limit their rights but aims at ensuring stable development of civil society and equal responsibility of every legal entity acting to achieve public goals and public good.

3. The draft law establishes transitory provisions (Article 4), which do not envisage re-registration of organizations which have been founded and registered prior to enactment of federal law, *On Amendment of Selected Federal Acts of the Russian Federation* (before January 1, 2006), but introduces legal provisions regulating the implementation of Articles 1 and 2 of this Federal Law. Thus, from effective date of federal law, *On Amendment of Selected Federal Acts of the Russian Federation*, legal provisions regulating control over the activity performed by a non-profit will be applied to non-profit of a specific form. Legal entities subject to relevant federal law must bring their constituent documents in line with the federal law and do so within one year.

4. The draft law does not envisage federally financed expenditures.