

CLIENT UPDATE

RUSSIA LIMITS FOREIGN OWNERSHIP IN MASS MEDIA TO 20% IN 2016

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A bill restricting foreign ownership in Russian mass media and banning foreigners from establishing mass media in Russia was passed by the State Duma of the Russian Federation.¹

The bill restricts, in particular, the shareholding of other countries, international organizations, foreign companies and foreign and Russian citizens who have a dual citizenship to 20% as of 1 January 2016.

Currently, foreigners can own up to 50% of radio or TV stations in Russia, with unlimited foreign shareholding in print and web media. The new bill generally limits the shareholding to 20% and applies also to print and web media.

The restrictions will force changes in the ownership structure of many mass media companies in Russia. Affected would be more than half of Russia's mass media, amongst others, media giants like Finland's Sanoma, which owns shares in several publications, including Vedomosti and The Moscow Times, and Germany's Axel Springer, which publishes the Russian edition of the Forbes business journal.

¹ Federal Law On Amendments to the Law on Mass Media No. 2124-1 dated 27 December 1991 (Third reading Draft Law No. 604509-6).

SCOPE OF RESTRICTIONS

Foreigners will be prohibited from directly running and establishing print publications, on-line media, television or radio channels, TV/radio/video programs, or acting as mass media editors. Additionally and more importantly, foreigners will also have no right to own, manage or control a shareholding of more than 20% in mass media companies and mass media editorial offices.

COMPLIANCE

All mass media companies will be required to submit information on their compliance with the restrictions to the competent state authority. The competent state authority will suspend the activities of a mass media company if it does not receive such information in time or in case of violations of the new rules.

In the event of non-compliance with the restrictions, foreigners will not be entitled to exercise their shareholder rights under the Russian Civil Code. These rights include the right to participate in the management of the company, to obtain information on its activities and to inspect its accounting or appeal against the decision of the bodies of the company.

In addition, any transactions entered in violation of the restrictions would be null and void.

ENTRY INTO FORCE

The bill was adopted by the State Duma of the Russian Federation after its third reading on 26 September 2014 and approved by the Federation Council of the Russian Federation on 1 October 2014. The amendments will enter into force on 1 January 2016. The ownership structure of mass media companies should be brought into line with the restrictions by 1 February 2016.

For foreign companies or Russian legal entities with foreign participation, in which Russian companies and/or Russian citizens directly or indirectly hold a dominant share of at least 80%, the amendments will enter into force on 1 January 2017.

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This overview was prepared solely on the basis of the text of the bill in the version dated 26 September 2014.

Please do not hesitate to contact us should you have any questions.

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