

FEDERAL LAW
NO. 178-FZ OF DECEMBER 21, 2001
ON THE PRIVATISATION OF STATE AND MUNICIPAL PROPERTY
(with the Amendments and Additions of February 27, 2003)

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Chapter I. General Provisions

Article 1. The Notion of Privatisation of State and Municipal Property

"The privatisation of state and municipal property" is alienation, for a consideration, of assets owned by the Russian Federation (hereinafter referred to as "federal property"), Russian regions, municipal entities, natural persons and/or legal entities.

Article 2. The Basic Principles of Privatisation of State and Municipal Property

1. The privatisation of state and municipal property is based on the recognition of the equality of buyers of state and municipal property and the transparency of activities of governmental bodies and local government bodies.

2. State and municipal property shall be alienated for the ownership of natural persons and/or legal entities exclusively on the onerous basis (for a pay or by means of transfer for state or municipal ownership of the shares of the public joint-stock companies in the authorised capital of which state or municipal property is contributed).

3. The privatisation of municipal property shall be effected by local government bodies at their own discretion in the manner specified in the present Federal Law.

Article 3. The Applicability of the Present Federal Law

1. The present Federal Law shall govern relations emerging in the course of privatisation of state and municipal property and the relations of state and municipal property management relating thereto.

2. The present Federal Law shall not extend to relations emerging in the case of alienation of:

- 1) land, except for the alienation of plots of land on which pieces of immovable property are located, in particular, property complexes;
- 2) natural resources;

- 3) state and municipal housing;
- 4) state reserve;
- 5) the state and municipal property located outside of the territory of the Russian Federation;
- 6) state and municipal property in the cases specified by international treaties of the Russian federation;
- 7) cult buildings and structures together with the plots of land and other state or municipally-owned religious-purpose property relating thereto without a consideration for ownership of religious organisations to be used for relevant purposes;
- 8) state and municipal property for ownership of non-commercial organisations formed through transformation of state and municipal institutions;
- 9) property attached to state and municipal unitary enterprises, state and municipal institutions by the right of economic management or operational administration;
- 10) state and municipal property under a court decision;
- 11) shares, in the cases specified by federal laws when the Russian Federation, Russian regions, municipal entities acquire the right of claiming their repurchase by the joint-stock company.

On the procedure for the alienation of shares belonging to the Russian Federation in the case of the origin with the Russian Federation of the right to demand their purchase by a joint-stock company, see [Decision of the Government of the Russian Federation No. 126 of February 27, 2003](#)

The alienation of the state and municipal property specified in the present item shall be governed by other federal laws and regulatory legal acts adopted pursuant thereto.

3. The property classified under federal laws as a non-alienable object of civil rights (an object exempt from alienation) and also the property that can only be in state or municipal ownership in the manner established by federal laws shall not be privatised.

4. The relations of alienation of state and municipal property not governed by the present Federal Law shall be subject to [civil legislation](#) norms.

Article 4. The Legislation of the Russian Federation on Privatisation

1. The legislation of the Russian Federation on privatisation is made up of the present Federal Law and the other federal laws and other regulatory legal acts of the Russian Federation adopted pursuant thereto.

The norms concerning the privatisation of state and municipal property contained in other federal laws shall not be in conflict with the present Federal Law.

2. The legislation of Russian regions on privatisation is made up of the laws of the Russian regions on the privatisation of state property adopted pursuant to the present Federal Law and the other regulatory legal acts of the Russian regions adopted pursuant thereto.

3. The privatisation of municipal property shall be effected by local government bodies at their own discretion in keeping with the legislation of the Russian Federation on privatisation.

Article 5. The Buyers of State and Municipal Property

1. The buyers of state and municipal property may be any natural persons and legal entities, except for state and municipal unitary enterprises, state and municipal institutions and also the legal entities in whose authorised capital the stake of the Russian Federation, Russian regions and municipal entities exceeds 25 per cent, except for the cases specified in [Article 25](#) of the present Federal Law.

2. The limitations established by federal laws on the participation in civil relations of specific categories of natural persons and legal entities for the purpose of protecting the fundamentals of the constitutional system, morals, rights and lawful interests of other persons, ensuring the defensive capability and security of the state shall be compulsory in the case of privatisation of state and municipal property.

Public joint-stock companies shall not be buyers of the shares they have floated as subject to privatisation under the present Federal Law.

Article 6. The Scope of Powers of the Government of the Russian Federation, the Governmental Bodies of Russian Regions and Local Government Bodies in the Field of Privatisation

1. For the purposes of implementing a uniform state policy in the field of privatisation the Government of the Russian Federation shall:

1) lay proposals before the President of the Russian Federation, for approval, as concerning the formation of a list of strategic enterprises and joint-stock companies that includes the following:

federal state unitary enterprise manufacturing products (performing works, providing services) of strategic importance for ensuring the defensive capability and security of the state, protecting the morals, health, rights and lawful interests of citizens of the Russian Federation (hereinafter referred to as "strategic enterprises");

public joint-stock companies whose shares are in federal ownership and the participation of the Russian Federation in the management whereof ensures the strategic interests of the state, the defensive capability and security of the state, protection of the morals, health, rights and lawful interests of citizens of the Russian Federation (hereinafter referred to as "strategic joint-stock companies");

2) lay proposals before the President of the Russian Federation for amending the list of strategic enterprises and strategic joint-stock companies as concerning the following:

the composition of federal state unitary enterprises listed as strategic enterprises, in particular, for the purpose of their further privatisation (transformation into public joint-stock companies);

the need for and degree of participation of the Russian Federation in public joint-stock companies listed as strategic joint-stock companies, in particular, for the purpose of further privatisation of shares of the said joint-stock companies;

According to [Decree](#) of the President of the Russian Federation No. 1514 of December 21, 2001 until the approval of lists of strategic enterprises and strategic joint-stock companies by the President of the Russian Federation the [List](#) of the Joint-Stock Companies Manufacturing Products (Goods, Providing Services) of Strategic Importance for Ensuring the National Security of the State Whose Federally-Owned Shares Are Not Subject to Sale before Due Date endorsed by [Decision](#) of the Government of the Russian Federation No. 784 of July 17, 1998 may be amended by [Decisions](#) of the Government of the Russian Federation issued pursuant to decrees of the President of the Russian Federation

According to [Decision](#) of the Government of the Russian Federation No. 126 of February 27, 2003, the decision to use the right to demand the purchase by a strategic joint-stock company of shares belonging to the Russian Federation shall be taken on the basis of the relevant decision of the President of the Russian Federation

3) annually endorse a forecast federal property privatisation plan (program) for a respective year;

4) present a report on the results of federal property privatisation for the preceding year to the State Duma of the Federal Assembly of the Russian Federation (hereinafter referred to as "the State Duma");

5) issue regulatory legal acts on privatisation matters;

6) lead the operation of federal executive governmental bodies on federal property privatisation matters;

7) adopt decisions concerning the terms and conditions of federal property privatisation;

8) exercise control over federal property privatisation;

9) exercise the other powers specified by the present Federal Law.

The Government of the Russian Federation is entitled to vest in a federal executive governmental body the power to perform federal property privatisation functions (hereinafter referred to as "empowered federal executive governmental body").

Under special instructions of the Government of the Russian Federation the functions of sale of

privatised federal property may be performed on its behalf by a specialised state institution or specialises state institutions.

On a specialised state institution with the functions of selling to-be-privatised federal property see [Order of the Government of the Russian Federation No. 605-r of April 26, 2002](#)

Also see the [Charter of the Russian Federal Property Fund, a Specialised State Institution under the Government of the Russian Federation approved by \[Decision of the Government of the Russian Federation No. 925 of December 25, 2002\]\(#\)](#)

2. The scope of powers of the governmental bodies of Russian regions and local government bodies shall be determined by laws and other regulatory legal acts of the Russian regions and legal acts of the local government bodies respectively.

Chapter II. Planning the Privatisation of State and Municipal Property

Article 7. The Forecast Federal Property Privatisation Plan (Program)

1. Every year the Government of the Russian Federation shall endorse a forecast federal property privatisation plan (program).

2. The forecast plan (program) shall contain a list of federal state unitary enterprises, federally-owned shares of public joint-stock companies and other federal property to be privatised in a respective year. The forecast plan (program) shall comprise characteristics of the federal property to be privatised as well as the would-be privatisation term.

3. Shares of strategic joint-stock companies and strategic enterprises shall be included in a forecast federal property privatisation plan (program) after the Government of the Russian Federation has adopted its decision to reduce the Russian Federation's interest in the management of strategic joint-stock enterprises or delete certain enterprises from the list of strategic enterprises.

4. The shares of the public joint-stock company Gazprom, the Russian joint-stock electricity company Unified Energy Systems and the federal state unitary enterprises being natural monopoly agents in the field of railway transport and controlled by the federal executive governmental body in charge of railways shall be included in the forecast federal property plan (program) under a federal law.

See [Federal Law No. 29-FZ of February 27, 2003 on the Specifics of Administration and Disposal of Railway Transport Property](#)

Article 8. Elaboration of the Forecast Federal Property Privatisation Plan (Program)

1. The forecast federal property privatisation plan (program) for next financial year shall be elaborated in compliance with the major guidelines of domestic policy of the Russian Federation determined by the President of the Russian Federation and also in compliance with the programs of socio-economic development of the Russian Federation adopted by the Government of the Russian Federation.

2. The federal executive governmental bodies shall, at least eight months prior to the beginning of next financial year, forward proposals to the Government of the Russian Federation or the empowered federal executive governmental body for privatisation of the state unitary enterprises they control and also of the federally-owned shares of public joint-stock companies pursuing activities in a specific branch of economy and other federal property.

The governmental bodies of Russian regions, local government bodies, federal state unitary enterprises and also the public jointstock companies whose shares are in federal ownership, other legal entities and citizens are entitled to forward their federal property privatisation proposals for next financial year to the Government of the Russian Federation or the empowered federal executive governmental body.

The procedure for elaboration of a federal property privatisation plan (program) shall be set out

by the Government of the Russian Federation.

3. Once approved by the Government of the Russian Federation, the federal property privatisation plan (program) shall be forwarded to the State Duma simultaneously with the federal bill on the federal budget for next financial year as incorporated in the documents and materials attached to the bill.

Article 9. The Report on Completion of a Federal Property Privatisation Plan (Program)

1. Every year, not later than May 1, the Government of the Russian Federation shall present a report to the State Duma on completion of the federal property privatisation plan (program) for the past year.

2. The report on completion of the federal property privatisation plan (program) for the past year shall contain a list of the property complexes of federal state unitary enterprises, shares of public jointstock companies and other federal property privatised in the past year as including an indication of the method, term and price of the privatisation deal.

Together with the report, information shall be provided to the State Duma on the results of past year's privatisation of property owned by Russian regions and owned by municipal entities.

Article 10. Planning the Privatisation of Property Owned by Russian Regions and Municipal Property

1. The procedure for planning the privatisation of property owned by Russian regions and municipal property shall be determined by the governmental bodies of the Russian regions and the local government bodies respectively at their own discretion.

2. Information on the results of privatisation of property of Russian regions and municipal property for the past year shall be provided by the Russian regions to the Government of the Russian Federation or to the empowered federal executive governmental body every year not later than March 1.

Chapter III. Procedure for Privatising State and Municipal Property

Article 11. The Determination of Composition of the Property Complex of an Unitary Enterprise Subject to Privatisation

1. The composition of the property complex of an unitary enterprise subject to privatisation shall be set out in a delivery/acceptance certificate.

The delivery/acceptance certificate shall be drawn up on the basis of a stock-taking certificate of the unitary enterprise, an auditor's report and also documents on the plots of land granted to the unitary enterprise in the established manner and on the rights relating thereto.

The delivery/acceptance certificate shall comprise an indication of all the types of the property of the unitary enterprise subject to privatisation, in particular, buildings, houses, structures, equipment, implements, raw materials, products, things in action, debts, in particular, the liabilities of the unitary enterprise owing as time-rate disbursements for the benefit of the citizens to whom the unitary enterprise is liable for a harm inflicted to life and health and also rights to the signs whereby the enterprise, its products, works and services are identified (company name, trademarks, service marks) and other exclusive rights.

The delivery/acceptance certificate shall comprise information on the plots of land subject to privatisation as part of the property complex of the unitary enterprise.

The delivery/acceptance certificate shall also comprise a calculation of the balance sheet value of the unitary enterprise's assets subject to privatisation, and in the case of formation of a public joint-stock company through the transformation of the unitary enterprise, information on the size of authorised capital, number and face value of shares.

2. The calculation of balance sheet value of the unitary enterprise's assets subject to privatisation shall be done on the basis of the data of an interim balance sheet prepared with the account taken of the results of stock-taking of the assets of the enterprise, as of the date of the

stock-taking certificate.

The balance sheet value of the unitary enterprise's assets subject to privatisation shall be determined as the sum of net asset value of the unitary enterprise calculated according to the data of the interim balance sheet and the value of the plots of land determined in compliance with Item 3 of the present article less the balance sheet value of the facilities not subject to privatisation as part of the property complex of the unitary enterprise.

3. The value of the plots of land shall be assumed to be equal to five-fold land tax rate per land plot area unit in inhabited localities featuring a population of over 500 thousand persons or three-fold [land tax rate](#) in the rest of cases.

4. In the case of privatisation of the property complex of a unitary enterprise the property that has not been included in the said enterprise's assets not subject to privatisation shall be taken by the owner.

The Government of the Russian Federation may establish the types of exclusive right not subject to privatisation as part of the property complex of an unitary enterprise and transferred to the buyer for use under a license or another contract.

Article 12. The Determination of the Price of State or Municipal Property Subject to Privatisation

1. "The rated price of state or municipal property subject to privatisation" (hereinafter referred to as "rated price") is the minimum price at which this property can be alienated, and it shall be determined in the manner established by the Government of the Russian Federation.

2. The initial price of state or municipal property being privatised shall be set in the cases specified in the present Federal Law on the basis of a report on the valuation of state or municipal property drawn up in compliance with the [legislation](#) of the Russian Federation on valuation activity.

Article 13. The Methods of Privatisation of State and Municipal Property

1. The following methods of privatisation of state and municipal property shall be used:

- 1) the transformation of a unitary enterprise into a public jointstock company;
- 2) the sale of state or municipal property by auction;
- 3) the sale of shares of public joint-stock companies by a specialised auction;
- 4) the sale of state or municipal property by tender;
- 5) the sale of the state-owned shares of public joint-stock companies outside of the territory of the Russian Federation;
- 6) the sale of shares of public joint-stock companies through a trade organiser in the securities market;
- 7) the sale of state or municipal property by means of a public offer;
- 8) the sale of state or municipal property without the announcement of a price;
- 9) the contribution of state or municipal property into the authorised capitals of public joint-stock companies;
- 10) the sale of shares of public joint-stock companies according to the result of trust administration.

2. The privatisation of the property complex of a unitary enterprise in case when the size of authorised capital determined in compliance with [Article 11](#) of the present Federal Law exceeds the [minimum amount of authorised capital](#) of a public joint-stock company set by Russian law may be accomplished only by means of transforming the unitary enterprise into a public joint-stock company.

In the other cases the privatisation of the property complex of a unitary enterprise shall be accomplished by the other methods specified in the present Federal Law.

3. The privatisation of the property complexes of federal unitary enterprises and of the federally-owned shares of public joint-stock companies the balance sheet value of fixed assets of which as of the last accounting date exceeds five million-fold [minimum wage rates](#) and also of property meeting the other criteria set by the Government of the Russian Federation may be accomplished:

- by means of transforming a unitary enterprise into a public jointstock company;

by auction;
by a specialised auction;
by means of the sale of the state-owned shares of public jointstock companies outside of the territory of the Russian Federation;
by means of contribution of federal property into the authorised capital of a strategic joint-stock company in compliance with regulatory acts of the President of the Russian Federation.

4. The privatisation of property that not complies with the criteria specified in Item 3 of the present article may be accomplished:

by means of transforming a unitary enterprise into a public jointstock company;
by auction;
by a specialised auction;
by tender;
by means of contributing shares into the authorised capital of a public joint-stock company.

If the auction, specialised auction or tender for the sale of such property is recognised as unaccomplished due to lack of bids or participation of only one bidder in it, the other privatisation method established in [Item 1](#) of the present article may be used for privatisation purposes in the manner specified in the present Federal Law.

5. The privatisation of state and municipal property shall be accomplished only by the methods specified in the present Federal Law.

Article 14. Decision on the Terms and Conditions of Privatisation of State and Municipal Property

1. Decision on the terms and conditions of privatisation of federal property shall be adopted in compliance with a forecast federal property privatisation plan (program).

2. The decision on the terms and conditions of privatisation of federal property shall comprise the following information:

a description of the property and other information whereby it can be identified (characteristics of the property);
the method of privatisation of the property;
rated price;
payment schedule (if any);
other information required for property privatisation purposes.

In the case of privatisation of the property complex of a unitary enterprise the decision on the terms and conditions of privatisation of federal property shall also confirm:

the composition of the property complex of unitary enterprise subject to privatisation as determined in compliance with [Article 11](#) of the present Federal Law;
a list of the objects/facilities (including exclusive rights) not subject to privatisation as part of the property complex of the unitary enterprise.

3. From the date when the forecast federal property privatisation plan (program) is endorsed until the time when the right of ownership of privatised property is transferred to the buyer of the property complex of the unitary enterprise or the time of state registration of the public joint-stock company so formed the unitary enterprise shall not be entitled to do the following without the owner's consent:

to cut the numbers of employees of the said unitary enterprise;
to conclude deals (several inter-related deals) the price of which exceeds five per cent of the balance sheet value of the assets of the said unitary enterprise as of the date of endorsement of its last balance sheet statement or exceeds 50,000-fold [minimum wage rate](#) as established by a federal law and also deals (several inter-related deals) connected with an opportunity for alienating, directly or indirectly, property worth more than five per cent of the balance sheet value of the assets of the said unitary enterprise as of the date of endorsement of its last balance sheet statement or exceeds 50,000-fold minimum wage rate as established by a federal law;
to receive credits;
to issue securities;

to act as a founder of economic partnerships or companies and also to acquire and alienate shares (stakes) in the authorised (share) capital of economic partnerships or companies.

4. The governmental bodies of Russian regions and local government bodies shall determine at their own discretion the procedure for making decisions on the terms and conditions of privatisation of state and municipal property respectively.

See the [Rules](#) for Preparation and Taking Decisions Concerning the Terms and Conditions of Federal Property Privatisation approved by [Decision](#) of the Government of the Russian Federation No. 512 of July 9, 2002

Article 15. Information Support to the Privatisation of State and Municipal Property

1. The forecast federal property privatisation plan (program), report on the completion of the forecast federal property privatisation plan (program) for the past year and also the decision on the terms and conditions of privatisation of state or municipal property shall be subject to disclosure in the established manner in formal publications.

2. An information announcement of the sale of state or municipal property shall be disclosed in the mass media specified by the Government of the Russian Federation, the governmental bodies of Russian regions, local government bodies respectively.

3. An information announcement of the sale of state or municipal property shall be published at least 30 days prior to the date of sale of the property, except as otherwise required by the present Federal Law.

4. The following information shall be made public in the information announcement of the sale of state or municipal property, except for the cases specified in the present Federal Law:

the name of the state body or local government body which has adopted the decision on the terms and conditions of privatisation of the property, the reference details of the said decision;

a description of the property and other information whereby it can be identified (characteristics of the property);

privatisation method;

initial price;

the form of bidding;

the terms and conditions of payment, account details;

the procedure for, place, the dates of beginning and end of bidding;

an exhaustive list of the documents to be filed by buyers and the standards for drawing them up;

the term of conclusion of a sale contract;

the procedure for buyers to get acquainted with other information, in particular, with the stock-taking certificates, the terms and conditions of the sale contract;

limitations on the participation of specific categories of natural persons and legal entities in property privatisation;

other information mentioned in the present Federal Law and also information according to a list established by the Government of the Russian Federation, the governmental bodies of Russian regions, local government bodies respectively.

In the case of sale of state or municipal property by auction, specialised auction or tender the following shall also be indicated:

the procedure for selecting winners;

the amount of, term and procedure for paying earnest money, account details;

the place and date of drawing up the results;

the terms and conditions of the tender (when state or municipal property is sold by tender);

application form (when shares are sold by a specialised auction).

5. When state or municipally-owned shares of a public joint-stock company are being sold the information announcement shall in particular include the following, except as otherwise required by the present Federal Law:

the full name, postal address and street address of the public joint-stock company;

the amount of authorised capital of the public joint-stock company;
the total number and categories of issued shares, the face value thereof;
the area of the plot of land where the immovable property of the public joint-stock company is located;
the public joint-stock company's liabilities, in particular, owing the federal budget, the budgets of Russian regions, local budgets, state non-budget funds;
the balance sheet statement of the public joint-stock company as of the last accounting date before the publication of an information announcement;
a list of the basic products (works, services) produced by the public joint-stock company;
the number of employees of the public joint-stock company;
information on the share of products (works, services) of the public joint-stock company included in the Register of Economic Agents Whose Share of a Specific Market Exceeds 35 Per Cent.
Buyers shall be entitled to get acquainted with other information on the public joint-stock company at the place indicated in the information announcement.

6. Effective from the date of acceptance of bids, a person willing to acquire state or municipal property (hereinafter referred to as "bidder") shall be entitled to have a preliminary access to information on the property to be privatised.

7. Information on the results of state and municipal property privatisation deals shall be disclosed in the mass media within one month after the date of the said deals.

The following information on accomplished state and municipal property privatisation deals shall be published on a compulsory basis:

a description of the property and other information whereby it can be identified (characteristics of the property);
the price of the privatisation deal;
the buyer's name.

Article 16. The Documents to Be Filed by the Buyers of State and Municipal Property

1. Contenders shall file the following documents:

an application ;

a payment document bearing an annotation of the bank acknowledging performance under it, stating that a relevant amount of money has been paid in the cases stipulated by the present Federal Law;

a document confirming the notification of the federal anti-monopoly body or a territorial body thereof of the intent to buy the property subject to privatisation in compliance with the anti-monopoly legislation of the Russian Federation.

Natural persons shall show their personal identity documents.

Legal entities shall additionally file the following documents:

copies of the foundation documents attested by a notary;

a decision in writing of a relevant administrative body on the acquisition of the property (if it is required by the contender's foundation documents and the law of the state where the contender is registered);

information on the interest of the Russian Federation, Russian region, municipal entity in the authorised capital of the legal entity;

other documents as might be required by a federal law;

a list of the documents being filed.

If the bid is filed by a representative of the contender an appropriately executed powers of attorney shall be presented.

2. The standards governing the documents to be filed by contenders being non-residents of the Russian Federation are set out by the [legislation](#) of the Russian Federation on currency regulation and currency control.

3. The contender shall bear the burden of proving his right to acquire state and municipal property.

If later it is discovered that the buyer of state or municipal property was not entitled under law to acquire the property the relevant deal shall be announced null and void.

Article 17. Social Guarantees for the Employees of Public Joint-Stock Companies Formed in the Course of Privatisation

1. The public joint-stock companies formed in the course of privatisation of the property complexes of unitary enterprises shall observe the terms and conditions and shall be liable under the obligations contained in collective labour contracts that had been in effect before the privatisation of the property complexes of unitary enterprises.

2. Upon the expiration of three months after the date of state registration of a public joint-stock company formed in the course of privatisation of the property complex of a unitary enterprise its employees (representatives thereof), the board of directors (supervisory board) or executive body of the public joint-stock company may propose to review the provisions of the effective collective labour contract or conclude a new collective labour contract.

3. After the privatisation of the property complexes of unitary enterprises the labour relations of employees of unitary enterprises shall continue to exist on the consent of the employees and they can only be altered or terminated in compliance with the labour [legislation](#) of the Russian Federation.

4. If the head of the unitary enterprise has been pursuing his/her activities under a civil legal contract relations with him/her shall be governed by the civil legislation and the said contract.

Chapter IV. The Methods of Privatisation of State and Municipal Property

Article 18. The Sale of State or Municipal Property by Auction

1. State or municipal property shall be sold by auction in case when its buyers are not to comply with any conditions in respect of such property. The right to buy the property shall belong to the highest bidder.

2. The auction shall be public in terms of composition of bidders.

3. Bids containing price offered for state or municipal property shall be submitted by participants in the auction in sealed envelopes (closed bidding) or announced by them openly during the sale (open bidding). The form of bidding for state or municipal property shall be determined by the decision on the terms and conditions of privatisation.

An auction in which only one bidder takes part shall be announced unaccomplished.

If there are two or more bids offering the same price for state or municipal property in an auction with closed bidding the participant whose bid was filed earlier than the other bids shall be announced winner.

4. The term for acceptance of bids for an auction shall be at least 25 days.

5. Where an auction is held with open bidding concerning the price of state or municipal property the information announcement shall contain the initial price increment ("auction step") apart from the information specified in [Article 15](#) of the present Federal Law.

6. Earnest money amount for an auction is set at 20 per cent of the initial price specified in the information announcement of privatisation of state or municipal property but not exceeding 4.5 million-fold minimum wage rate as established by a federal law.

7. In the case of closed bidding concerning the price of state or municipal property the bids shall be submitted on the day when the results of the auction are drawn up. If a contender so wishes an envelope containing the bid stating the price for the property may be submitted when the application is filed.

8. The contender shall not be admitted to participate in the auction on the following grounds:
the documents filed do not confirm the contender's right to be a buyer under Russian law;
not all documents required by the list mentioned in the information announcement have been submitted (except for a bid offering a price for state or municipal property in the auction) or the way the documents have been drawn up fails to comply with the provisions of Russian law;
the application has been filed by a person not authorised by the contender for committing such

an action;

there is no acknowledgement of receipt of earnest money in the accounts specified in the information announcement.

The list of the grounds on which a contender can be refused participation in an auction is exhaustive.

9. Until the contender is recognised as a bidder he shall be entitled to withdraw his registered application by filing a written notice. In the case of withdrawal of an application by the contender in the established manner before the deadline for acceptance of applications the earnest money received from the contender shall be refunded within five days after the date of the application withdrawal notice. If a contender withdraws his application after the deadline for acceptance of applications the earnest money shall be refunded in the manner established for bidders.

10. One person is entitled to file only one application and if the auction has closed bidding concerning price for state or municipal property, only one bid for the property put up for sale at the auction.

11. A notice announcing a successful bidder in an auction shall be issued to the winner or his authorised representative against his signature or sent by registered mail within five days after the date when the results of the auction are drawn up.

12. If the winner in an auction declines or refuses to conclude a property sale contract within a set term the earnest money shall no longer be refundable and he shall no longer be entitled to conclude the said contract.

13. Earnest money amounts shall be refunded to bidders, except for the winner, within five days after the date when the results of the auction are drawn up.

14. A sale contract shall be concluded with the winner in an auction within five days after the date when the results of the auction are drawn up.

15. The transfer of state or municipal property and completion of formalities relating to the right of ownership of such property shall be effected under Russian [law](#) and the sale contract within 30 days after the date of payment for the property in full.

16. Relations not regulated by the present article and connected with the conduct of an auction shall be regulated by the Government of the Russian Federation.

See the [Regulations on Organising the Sale of State or Municipal Property by Auction endorsed by Decision of the Government of the Russian Federation No. 585 of August 12, 2002](#)

Article 19. The Sale of Shares of Public Joint-Stock Companies by a Specialised Auction

1. "Specialised auction" is a method of sale of shares by public sale when all winners receive shares of a public joint-stock company at a uniform price per share.

2. The specialised auction shall be public in terms of composition of bidders.

A specialised auction in which only one bidder took part shall be announced unaccomplished.

3. An application for participation in a specialised auction shall be drawn up by means of filling out an application form and it shall be deemed the contender's offer to conclude a shares sale contract according to the results of the specialised auction on the terms published in the information announcement of the holding of the specialised auction.

Applications shall be accepted within a 25 day-term.

The [application form design](#) shall be approved in the manner established by the Government of the Russian Federation.

4. Until the end of specialised auction application acceptance term the contender shall be entitled to withdraw his registered application by filing a written notice. In such a case the amounts of money received from the contender shall be refunded within five days after the receipt of the application withdrawal notice.

5. The contender shall be refused admittance to a specialised auction on the following grounds: the documents filed do not confirm the contender's right to be a buyer under Russian law; the application has been filed by a person not authorised by the contender for committing such

an action;

not all documents required by the list mentioned in the information announcement of the specialised auction have been submitted or the way the documents have been drawn up fails to comply with the provisions of Russian law;

amounts of money have failed to arrive in the accounts specified in the information announcement in full or in time;

the amounts of money received are below the initial price of the share of the public joint-stock company;

the contender has paid amounts of money in breach of the terms and conditions set out in the information announcement.

The list of the grounds on which a contender can be refused participation in a specialised auction is exhaustive.

6. Statements of the said accounts shall be deemed the document acknowledging the receipt of amounts of money in the accounts specified in the information announcement of privatisation.

7. Only amounts of money of the contenders admitted for participation in a specialised auction shall be taken into account for the purposes of calculating the uniform price per share.

The transfer of shares and completion of the formalities relating to the right of ownership of the shares shall be effected within 30 days after the date of drawing up the results of a specialised auction under Russian law and the terms and conditions of the specialised auction.

8. A specialised auction shall be deemed inter-regional if applications are accepted simultaneously on the territories of at least 15 Russian regions.

A specialised auction shall be deemed all-Russian if applications are accepted simultaneously on the territories of at least 25 Russian regions.

9. The inter-regional specialised auction may be held in the case of sale of shares of a public joint-stock company the net assets of which according to the balance sheet for the financial year preceding the year in which the decision was taken on the terms and conditions of privatisation of the shares of the public joint-stock company make up from 500,000 to 3,000,000-fold [minimum wage rate](#) as established by a federal law as of the time of the said decision.

The all-Russian specialised auction may be held in the case of sale of shares of a public joint-stock company the net assets of which according to the balance sheet for the financial year preceding the year in which the decision was taken on the terms and conditions of privatisation of the shares of the public joint-stock company make up more than 3,000,000-fold minimum wage rate as established by a federal law as of the time of the said decision.

10. When all-Russian and inter-regional specialised auctions are held arrangement shall be made in the Cities of Moscow and St. Petersburg and also in the Russian regions on whose territories the issuer of the shares put up for sale at the specialised auction and its structural units and affiliates featuring an employee strength of at least 1,000 persons is located.

11. Relations which are not regulated by the present article and which are connected with the holding of a specialised auction, accomplishing of settlements for acquired shares and arranging all-Russian and inter-regional specialised auctions for the purpose of selling federally-owned shares shall be regulated by the Government of the Russian Federation.

See the [Regulations on Organising the Sale the State-Owned or Municipality-Owned Shares of Public Joint-Stock Companies by Specialised Auction endorsed by \[Decision of the Government of the Russian Federation No. 585 of August 12, 2002\]\(#\)](#)

Article 20. The Sale of State or Municipal Property by Tender

1. A tender may be held to sell an enterprise as a property complex or shares of a public joint-stock company formed as the result of privatisation which make up over 50 per cent of the authorised capital of the said company if certain conditions have to be observed in respect of the said property by the buyer thereof.

2. The right to acquire state or municipal property shall belong to highest bidder in the tender for the said property, given the observance of the terms and conditions of the tender by such a bidder.

3. The tender shall be public in terms of compositions of bidders. Bids containing a price offered for state or municipal property shall be submitted by bidders in sealed envelopes.

A tender in which only one bidder has taken part shall be announced unaccomplished.

If there are two or more bids with equal price offered for state or municipal property the bidder whose bid was submitted earlier shall be announced winner.

4. The application acceptance term of a tender shall be at least 25 days.

5. Earnest money shall be paid at the rate of 20 per cent of the initial price indicated in the information announcement of the tender but not exceeding 4,500,000-fold minimum wage rate as established by federal law.

6. The bidder in a tender shall submit his bid containing a price offered for the property put up for sale at the tender, on the day when the results of the tender are drawn up. If the contender so wishes a sealed envelope with a bid with offered priced for the property put up for sale may be submitted together with the application.

7. The contender shall not be admitted to take part in a tender on the following grounds:

the documents filed do not confirm the contender's right to be a buyer under Russian law;

not all documents required by the list mentioned in the information announcement of the tender have been submitted (except for offered price for the property put up for sale at the tender) or the way the documents have been drawn up fails to comply with the provisions of Russian law;

the application has been filed by a person not authorised by the contender for committing such an action;

no acknowledgement has been received of the arrival, when due, of earnest money in the accounts specified in the information announcement of the tender.

The list of the grounds on which a contender can be refused participation in a tender is exhaustive.

8. Until the contender is recognised as a bidder he shall be entitled to withdraw his registered application by filing a written notice. If the contender withdraws his application in the established manner before the deadline for acceptance of applications the earnest money received from the contender shall be refunded within five days after the date of receipt of the application withdrawal notice. If the contender withdraws his application after the deadline for acceptance of applications the earnest money shall be refunded in the manner established for bidders in the tender.

9. One person is entitled to file only one application and make only one bid containing a price offered for state or municipal property.

10. A notice announcing a successful bidder in a tender shall be issued to the winner or his authorised representative against his signature or sent by registered mail within five days after the date when the results of the tender are drawn up.

11. If the winner in a tender declines or refuses to conclude a sale contract for state or municipal property the earnest money shall no longer be refundable.

12. The earnest money amounts paid by bidders shall be refunded thereto, except for the winner, within five days after the date when the results of the tender are drawn up.

13. A sale contract shall be concluded with the winner in a tender within ten days after the date when the results of the tender are drawn up.

14. The sale contract for state or municipal property shall include a procedure for the winner in the tender to comply with the terms and conditions of the tender.

The said contract shall establish a procedure for the winner in the tender to confirm his performance under the obligations he assumes.

No amendments shall be made to the terms and conditions of the tender or the obligations of winner in the tender after the conclusion of the said contract, except for the cases specified in [Article 451](#) of the Civil Code of the Russian Federation.

15. The contract of sale of state or municipal property shall contain the following:

the terms and conditions of the tender and the term for performance under them;

the procedure for the successful bidder in the tender to confirm performance under the terms and conditions of the tender;

the procedure for monitoring the observance of the terms and conditions of the tender by the

successful bidder in the tender;

the liabilities of the parties for a default on or improper performance under their obligations under the sale contract, in the form of forfeit money for the non-observance of the terms and conditions of the tender or improper performance thereof by the successful bidder, in particular, a breach of interim or final terms for performance under such terms and conditions and the scope of such performance, in the amount of price of the state or municipal property;

other terms and conditions determined by agreement of the parties.

16. The transfer of state or municipal property to the successful bidder in the tender and completion of the formalities relating to the right of ownership of such property shall be effected under Russian law and the relevant sale contract within 30 days after the date of payment for the property in full and completion of performance under the terms and conditions of the tender.

The fact of payment for the property shall be confirmed by a statement of the account specified in the information announcement of the tender concerning the receipt of money in the amount and within the term specified in the sale contract.

17. The term for completion of performance under the terms and conditions of a tender shall not exceed one year.

18. The successful bidder in a tender shall be entitled, until the right of ownership of state or municipal property is transferred to him, to exercise the powers established by Items 19 and [20](#) of the present article.

19. If the object of sale in a tender is shares of a public jointstock company the successful bidder in the tender, until the right of ownership of the said shares is transferred to him, shall vote in the managerial bodies of the company on the said shares at his own discretion, except for voting on the following matters:

amending the foundation documents of the public joint-stock company;

the alienation, mortgaging, leasing, committing other actions capable of leading to alienation of property of a the public joint-stock company if the value of such property exceeds 5 per cent of the authorised capital of the public joint-stock company or exceeds 50,000fold [minimum wage rate](#) as established by a federal law;

the mortgaging and alienation of immovable property of the public joint-stock company;

the receipt of a credit in an amount exceeding 5 per cent of the net asset value of the public joint-stock company;

the institution of partnerships and economic companies;

the issuance of securities non-convertible into shares of a public joint-stock company;

the approval of an annual report/statement, balance sheet, statements of profits and losses of the public joint-stock company and also the distribution of its profits and losses.

Voting on the said matters shall be performed by the successful bidder in a tender in the manner established by the Government of the Russian Federation, governmental bodies of Russian regions, local government bodies respectively.

The successful bidder shall not be entitled to vote on the matter of re-organisation or liquidation of the public joint-stock company.

The public joint-stock company whose shares have been sold by tender, until the time of completion of performance under the terms and conditions of the tender by the successful bidder, shall not be entitled to adopt a decision to change authorised capital, issue additional shares and other securities convertible into the shares of this company.

20. In the case of sale of the property complex of a unitary enterprise, until the transfer of the right of ownership to the successful bidder in the tender, the said unitary enterprise shall not be entitled to conclude deals and commit the other actions specified in [Item 3 of Article 14](#) of the present Federal Law without the consent of the successful bidder and owner. The procedure for securing the consent is set out by the Government of the Russian Federation, governmental bodies of Russian regions, local government bodies respectively.

21. The terms and conditions of a tender may envisage the following:

the preservation of a specific number of jobs;

employee re-training and/or qualification upgrading;

the imposition of a limit on changing the nature of activity of the unitary enterprise or the purpose of specific socio-cultural, public and everyday service facilities or transport facilities providing services to the public or the termination of their use;

the performance of restoration, repair and other work in respect of cultural heritage, socio-cultural and public and everyday service facilities.

The terms and conditions of a tender shall be supported by a feasibility study and shall have a term for the completion of performance under them, a procedure for the successful bidder to confirm completion of performance under them. The terms and conditions of a tender shall not be changed.

The said list of terms and conditions of tender is exhaustive.

22. The procedure for elaborating and approving the terms and conditions of a tender, the procedure for monitoring the observance thereof and the procedure for the successful bidder to confirm completion of performance under the terms and conditions shall be established by the Government of the Russian Federation, governmental bodies of Russian regions, local government bodies respectively.

The measures for monitoring performance under the terms and conditions of a tender shall envisage monitoring at least once a quarter.

23. If the successful bidder fails to comply with the terms and conditions or else perform under them improperly, in particular, violates interim or final terms for the completion of performance under the terms and conditions and the scope thereof, the contract of sale of state or municipal property shall be rescinded by agreement of the parties or by a court, with a forfeit money being collected at the same time from the buyer. The said property shall remain in state or municipal ownership respectively and the buyer's powers in respect of the said property shall be terminated. Apart from the forfeit money the losses inflicted by the failure to perform under the sale contract may also be collected from the buyer in the amount not covered by the forfeit money.

24. Relations which are not regulated by the present article and which are connected with the holding of a tender and with settlements for acquired property shall be regulated by [regulations](#) approved by the Government of the Russian Federation.

Article 21. The Sale outside of the Territory of the Russian Federation of State-Owned Shares of Public Joint-Stock Companies

1. The sale outside of the territory of the Russian Federation of state-owned shares of the public joint-stock companies formed on the territory of the Russian Federation may be accomplished by means of their being used as a security for a foreign issuer's securities.

2. A decision to sell shares of public joint-stock companies by means of their being used as a security for a foreign issuer's securities shall be made by the Government of the Russian Federation, governmental bodies of Russian regions respectively.

The said decision shall comprise the following information:

the number of state-owned shares of public joint-stock companies used as a security of the issuance of securities by a foreign issuer;

the name of the foreign issuer;

the type of the foreign issuer's securities;

the maximum amounts of the foreign issuer's fee and the organisations responsible for the sale of the foreign issuer's securities as well as expenses relating to the issuance and sale of such securities and reimbursable on the account of proceeds from the sale of the state-owned shares of the public joint-stock company;

the term and method of limitation on the disposal of the shares of the public joint-stock company whose shares are put up for sale that remain in state ownership;

other necessary information.

3. Relations emerging in the course of sale of shares of public joint-stock companies by means of their being used as a security for foreign issuers' securities, in particular the procedure for payment for them shall be set out in a contract. The information provided in the decision whereby the shares of public joint-stock companies are sold by means of their being used as a security for foreign issuers' securities shall be deemed significant terms of the contract.

4. Proceeds from the sale of state-owned shares of public jointstock companies by means of their being used as a security for securities shall be converted in Russian currency in compliance with Russian law.

5. The sale, outside of the Russian Federation, of state-owned shares of public joint-stock companies may also be effected in the manner established by [Article 22](#) of the present Federal Law, with due regard to the provisions of the [legislation](#) of the Russian Federation on securities market and the peculiarities of the law of the foreign state where such a sale takes place.

Article 22. The Sale of Shares of Public Joint-Stock Companies through a Trade Organiser in the Securities Market

1. The shares of public joint-stock companies may be sold through a trade organiser in the securities market (hereinafter referred to as "trade organiser").

2. The sale of shares of public joint-stock companies through a trade organiser shall be effected in compliance with the rules established by the trade organiser.

3. Brokers may be involved for the purpose of selling shares of public joint-stock companies through a trade organiser, in the [manner](#) established by the Government of the Russian Federation.

The terms and conditions of contracts concluded with brokers for the sale of shares of public joint-stock companies through a trade organiser shall envisage a sale of the said shares at a price not below the initial price.

4. Information on the sale of shares of public joint-stock companies through a trade organiser in the securities market shall be published in compliance with the rules established by the trade organiser.

Information on the results of transactions of purchase/sale of shares of public joint-stock companies through a trade organiser shall be published on a monthly basis in official information bulletins and/or other mass media.

The disclosure of the information required for the purpose of conclusion and accomplishment of transactions in shares of public jointstock companies shall be effected by the trade organiser in the established manner.

5. The provisions of [Article 15](#) of the present Federal Law, except for [Item 1](#), shall not extend to the sale of shares of public joint-stock companies through a trade organiser.

Article 23. The Sale of State or Municipal Property by Means of a Public Offer

See the [Regulations on Arranging the Sale of State or Municipal Property by Means of a Public Offer approved by \[Decision of the Government of the Russian Federation No. 549 of July 22, 2002\]\(#\)](#)

1. The same of state or municipal property by means of a public offer shall be done in case when the sale of the said property by auction has been recognised as unaccomplished.

When state or municipal property is put up for sale for general public it shall be deemed a public offer.

2. In the case of sale of state or municipal property by means of public offer the information announcement shall include the following apart from the information specified in [Article 15](#) of the present Federal Law: the value of decrease in the initial price (the price of initial offer); the term upon the expiration of which the offer price shall be reduced on step-by-step basis; the minimum offer price at which the state or municipal property can be sold (cut-off price).

In such a case the price of initial offer shall be set not below the initial price specified in the information announcement of the sale of the said property at an auction that has been recognised as unaccomplished.

In the case of sale of state or municipal property by means of public offer the rated price shall make up to 50 per cent of the initial price of the auction declared unaccomplished.

3. The right to acquire the state or municipal property shall belong to the first applicant to file, within the set term, an application for purchase of the said property at the initial offer price. The said application shall be satisfied at the initial offer price.

4. If within the set term there no application is filed for the purchase of the state or municipal

property at the initial offer price the offer price shall be cut after the expiration of the periods mentioned in the information announcement of the sale of the state or municipal property by public offer. In such a case the first application to be filed for the purchase of the said property shall be satisfied at the offer price. The offer price may be cut down to the cut-off price.

5. An application for the purchase of state or municipal property by public offer shall be filed by the applicant at the place specified in the information announcement of the sale of the state or municipal property.

The acceptance of applications for the purchase of the said property at the initial offer price shall be commenced from the date specified in the information announcement.

The acceptance of applications shall be stopped after registration of the first application.

6. Apart from the application the contender shall file the documents specified in [Article 16](#) of the present Federal Law. An applicant cannot be asked to file other documents or information.

7. The acceptance of applications shall be completed by the registration of the first application in a book of registration of applications as including an indication of the time of receipt thereof (day, month, hours and minutes).

8. The registered application shall be deemed a acceptance of the offer to conclude a contracts for the sale of the state or municipal property at the offer price. The contract of sale of the property shall be concluded on the day when the application is registered.

9. Within ten days after the registration of the application the buyer shall make payment in money in the amount of offer price into the account specified in the information announcement of the sale of the state or municipal property.

The transfer of the state or municipal property and completion of the formalities relating to the right of ownership of such property shall be effected under Russian law within 30 days after payment for the property is made in full.

10. If the buyer declines or refuses to make payment for the state or municipal property a penalty shall be charged on him at the rate of 5 per cent of the amount due per deferment day.

Article 24. The Sale of State or Municipal Property without the Announcement of a Price

1. The sale of state or municipal property without the announcement of a price shall be done if the sale of the property by public offer has happened to be unaccomplished.

2. The information announcement of the sale of state or municipal property without the announcement of a price shall comply with the provisions of [Article 15](#) of the present Federal Law, except for the initial price. When state or municipal property is sold without the announcement of a price no rated price shall be set.

Contenders shall file their bids offering a price for the state or municipal property at the address specified in the information announcement.

Offers for the purchase of the state or municipal property shall be filed by contenders in sealed envelopes and registered in a book of acceptance of offers, with a reference number being assigned to each application and the time of documents filing (day, month, hours and minutes) being recorded.

3. Apart from the offer of a price for the state or municipal property the contender shall submit the documents specified in [Article 16](#) of the present Federal Law.

4. If offers are received from several contenders the one which has offered the highest price for the state or municipal property shall be announced buyer.

If several similar offers of price for the state or municipal property have been received the person with the earliest application shall be announced buyer.

5. The way the results of sale of state or municipal property are drawn up, the procedure for conclusion of a contract with the buyer for the sale of the state or municipal property without the announcement of a price shall be determined in the manner established by the Government of the Russian Federation governmental body of Russian region, local government body respectively.

See the [Regulations](#) on Arranging the Sale of State or Municipal Property without the Announcement of a Price Thereof approved by [Decision](#) of the Government of the Russian

Federation No. 549 of July 22, 2002

Article 25. Contributing State or Municipal Property in the Authorised Capital of a Public Joint-Stock Company

1. Under a decision of the Government of the Russian Federation, executive governmental body of a Russian region, local government body respectively state or municipal property as well as exclusive rights may be contributed in the authorised capitals of public joint-stock companies. In such a case the portion of the shares of public joint-stock company owned by the Russian Federation, a Russian region, a municipal entity and acquired by the Russian Federation, a Russian region, a municipal entity respectively in the total number of ordinary shares of this joint-stock company shall not make up less than 25 per cent plus one share, except as otherwise established by the President of the Russian Federation for strategic joint-stock companies.

2. The contribution of state or municipal property and also exclusive rights in the authorised capitals of public joint-stock companies may be effected:

when public joint-stock companies are being founded;

as payment for floated additional shares in the case of an increase in the authorised capitals of public joint-stock companies.

3. The contribution of state or municipal property as well as exclusive right in payment for floated additional shares of a public joint-stock company may be effected if the following conditions are observed:

the joint-stock company has adopted a decision, under the [legislation](#) of the Russian Federation on joint-stock companies, to increase authorised capital by means of floating additional shares payment for which will be in particular effected in state or municipal property (with the type of such property being indicated) and also in exclusive rights owned by the Russian Federation, a Russian region or a municipal entity (including an indication of the scope of, limitations on and methods of use of relevant exclusive rights);

the additional shares for which payment is made in state property, municipal property and/or exclusive rights are ordinary shares;

the state or municipal property contributed in payment for additional shares has been vaulted in compliance with the [legislation](#) of the Russian Federation on appraisal activity.

[Federal Law No. 29-FZ of February 27, 2003 amended Item 4 of Article 25 of this Federal Law](#)
[See the previous text of the Item](#)

4. When state or municipal property and also exclusive rights are contributed in the authorised capital of a public joint-stock company the total number of shares acquired for ownership of the Russian Federation, a Russian region or municipal entity, the portion of these shares in the total number of ordinary shares of the public joint-stock company and the value of the state or municipal property contributed in the authorised capital of the public joint-stock company (the acquisition price of the said shares) shall be determined in compliance with the [Federal Law](#) on Joint-Stock Companies and the legislation of the Russian Federation on appraisal activity, if not otherwise established by the [Federal Law](#) on the Specifics of Administration and Disposal of Railway Transport Property.

Article 26. The Sale of Shares of a Public Joint-Stock Company According to the Results of Trust Administration

1. A person which has concluded, according to the results of a tender, a trust contract for managing shares of a public joint-stock company shall acquire these shares for ownership after the expiration of the term of trust administration, given the observance of the terms and conditions of the trust contract.

A contract for the sale of the shares of public joint-stock company shall be concluded with the successful bidder in the tender simultaneously with the trust contract.

2. Information on the numbers (interest in the authorised capital) and selling price of the shares of public joint-stock company subject to sale according to the results of trust administration shall be

published in a relevant information announcement of the tender for the transfer of shares of the said public joint-stock company in trust administration.

3. The information announcement of a tender for the transfer of shares of a public joint-stock company in trust administration shall be published at least 30 days before the tender. The announcement shall comprise information on the public joint-stock company and on the number of the shares put in trust and on the portion these shares constitute in the authorised capital of the public joint-stock company, on trust terms and conditions and on the effective term of the trust contract (not exceeding three years).

4. Default on or improper performance under the terms and conditions of the trust contract shall be deemed a ground for rescission under a court decision of the trust contract and the contract of sale of shares of the public joint-stock company. Completion of performance under the terms and conditions of the trust contract shall be confirmed by the trustee's report accepted by the trustor.

5. The matters relating to organisation of a tender for the right of concluding a trust contract and selling shares of a public jointstock company according to the results of trust administration, in particular, monitoring the observance of the terms and conditions of the trust contract and settlements for the shares acquired which are not regulated by the present article shall be regulated by the Government of the Russian Federation.

Chapter V. The Peculiarities of Privatisation of Specific Types of Property

Article 27. The Peculiarities of Transactions Relating to the Sale of the Property Complex of a Unitary Enterprise

1. The property complex of a unitary enterprise may be sold into the ownership of legal entities and also citizens pursuing entrepreneurial activity without the formation of a legal entity, in the manner and by the methods stipulated in the present Federal Law with due regard to the peculiarities established by the present article.

The composition of the property complex of a unitary enterprise subject to sale shall be determined in compliance with [Article 11](#) of the present Federal Law.

The publication of a forecast privatisation plan (program) shall be deemed a notice for creditors of the sale of the property complex of the unitary enterprise. The claims filed by the creditors shall be considered in the established manner when the composition of the property complex of the unitary enterprise subject to sale is being determined, and in such a case there is no need for securing the creditors' consent to their claims' being assigned to the buyer.

2. After the buyer have completed performance under the terms and conditions of the contract for the sale of the property complex of unitary enterprise an acceptance certificate shall be signed with the buyer. The Russian Federation, Russian region, municipal entity shall not be liable for obligations not recorded in the acceptance certificate.

The significant changes that occurred in the composition of the property complex of a unitary enterprise from the publication of the information announcement of the sale of the complex to the signing of the acceptance certificate may serve as a ground for a refusal to sign a contract of sale of the property complex of the unitary enterprise.

3. The right of ownership of the property complex of an unitary enterprise shall be transferred to the buyer in the manner specified in [Items 3 and 4 of Article 32](#) of the present Federal Law on the condition that the debt owing as taxes and other compulsory payments to the budgets of all levels and state non-budget funds (if any) is repaid.

From the time when the right of ownership of the property complex of the unitary enterprise is transferred to the buyer the right of economic management of the unitary enterprise whose property complex has been sold shall be terminated.

4. The contract of sale of the property complex of a unitary enterprise, the acceptance certificate and also a document confirming the repayment of the debt (if any) owing as taxes and other compulsory payments to the budgets of all levels and state non-budget funds shall be deemed a ground for state registration of the transfer of the right of ownership of the property complex of the

unitary enterprise to the buyer.

5. When the right of ownership of the property complex of the unitary enterprise is transferred to the buyer the unitary enterprise whose property complex has been sold shall be terminated.

The procedure for making an entry on the termination of a unitary enterprise in the state register of legal entities shall be determined by the Government of the Russian Federation.

Article 28. Alienation of Plots of Land

1. The privatisation of buildings, houses and structures and also of facilities under construction which have been recognised as independent pieces of immovable property shall be effected simultaneously with the alienation, for the benefit of the person acquiring such property, of the plots of land occupied by such property and required for the use thereof, except as otherwise envisaged by a [federal law](#).

2. The privatisation of property complexes of unitary enterprises shall be effected simultaneously with the alienation of the following plots of land for the benefit of the buyer:
those held by the unitary enterprise by the right of permanent (in perpetuity) use or lease;
those occupied by the pieces of immovable property specified in Item 1 of the present article as incorporated in the composition of the privatised property complex of the unitary enterprise and required for the use of the said facilities.

3. The owners of pieces of immovable property not being facilities build up without appropriate authorisation and located on plots of land classified as state or municipal property shall either lease or acquire from the state or municipal entity the said plots of land, except as otherwise envisaged by a federal law.

A decision to sell plots of land shall be made by the body that has adopted the decision to privatise the relevant pieces of immovable property, within two weeks after the date of the application.

If the owner of the piece of immovable property located on a state or municipally-owned plot of land so wishes the relevant plot of land may be leased to the owner for a term not exceeding 49 years.

A contract of lease of a plot of land shall not be deemed an obstacle for purchase of the plot of land.

The purchase of the plot of land or lease thereof shall not be refused, except for the cases specified by law.

4. In the case of privatisation of portions of buildings, houses and structures, deemed independent pieces of immovable property, located on an indivisible plot of land contracts of lease of the said plot of land shall be concluded with the buyers of such property, with several persons on the lessee's side in the manner established by law.

The owners of the pieces of immovable property specified in the present item are entitled to simultaneously acquire in share ownership the plot of land after all the portions of the buildings, houses and structures located on the plot of land have been privatised.

The size of share in the right of ownership of the plot of land shall be determined pro rata to the ratio of the area of relevant portion of a building, house or structure to the total area of the building, house or structure.

5. The plot of land shall be alienated in compliance with [Items 1 - 4](#) of the present article within the boundaries determined according to a land plot layout provided by the buyer and attested by the body in charge of keeping the state land registry.

The said land plot layout shall be attached to the stock-taking certificate relating to the property complex of the unitary enterprise and also to the land plot sale contract.

6. If necessary a decision to establish public easements shall be adopted simultaneously with the adoption of the decision to alienate a plot of land.

In the case of alienation of plots of land the right of ownership is not transferred to state or municipally-owned engineering infrastructure facilities not used exclusively for maintaining the pieces of immovable property located on the said plots of land.

Exclusions from this rule can be made when a public easement is established in respect of the

plot of land to give an opportunity for using improvements and implements to the full extent.

7. Purchase price for a plot of land shall be set by Russian regions as follows in inhabited localities with the population:

over 3 million person: at 5 to 30-fold [land tax rate](#) per land plot area unit;

from 500 thousand to 3 million persons: at 5 to 17-fold land tax rate per land plot area unit;

up to 500 thousand persons and also outside of the boundaries of inhabited localities: at 3 to 10-fold land tax rate per land plot area unit (as of the beginning of the current calendar year).

Until the setting of purchase price for plots of land by Russian regions the price of specific plots of land shall be determined on the basis of the minimum rates set out in the present item.

8. Under the present Federal Law plots of land being part of the following are not subject to alienation:

agricultural-purpose, forestry and water resources lands, speciallyprotected natural territories and facilities;

lands contaminated by hazardous substances and exposed to biological contamination;

lands of water-preservation and sanitary protection purpose;

general public use lands (streets, drives, roads, embankments, parks, forest-parks, public gardens, gardens, boulevards, bodies of water, beaches etc.);

transport lands intended for supporting the operations of sea and river ports, airports and also lands allocated (reserved) for the future development thereof;

lands envisaged by the general development layouts of relevant territories as intended for use in state or public interests, in particular as general public use lands;

the lands not subject to alienation under Russian law.

9. When plots of land occupied by pieces of immovable property and required for the use thereof are contributed in the authorised capitals of public joint-stock companies the limitation established by [Item 1 of Article 25](#) of the present Federal Law shall not be applicable.

Article 29. The Peculiarities of Privatisation of Cultural Heritage Facilities

1. Cultural heritage objects/facilities (monuments of history and culture and also discovered cultural heritage facilities) may be privatised in the manner and by the methods established by the present Federal Law on the condition that encumbrances in the form of obligation to maintain, preserve and use them (hereinafter referred to as "preservation obligation") are attached thereto.

The terms and conditions of preservation obligations relating to architectural complexes, estate and palace and park complexes classified as cultural heritage facilities and being complex things shall extend to all the components thereof.

2. The terms and conditions of preservation obligations relating to federal-significance cultural heritage facilities shall be determined by the federal body in charge of preservation of cultural heritage facilities, or in respect of regional and municipal-significance cultural heritage facilities, by the executive governmental bodies of Russian regions empowered in the field of preservation of cultural heritage facilities under Russian law.

3. The preservation obligation shall be drawn up in the manner established by Russian law, simultaneously with the conclusion of the privatisation deal.

4. The preservation obligation shall contain standards applicable to the maintenance of the cultural heritage facility, citizens access conditions, a procedure and term for completion of restoration, repair and other works and also other standards whereby preservation of the facility is ensured.

If the interior of inner premises of a cultural heritage facility is not an object of preservation of this facility the owner of the cultural heritage facility cannot be vested with the duty to grant access for citizens to the inner premises of the facility.

The standards governing preparation of a preservation obligation, the content thereof and performance under it, measures for monitoring the observance thereof and also the clause whereby the owner of the cultural heritage facility is obligated to confirm performance under the preservation obligation shall be endorsed in the [manner](#) set out by the Government of the Russian Federation.

Article 30. The Peculiarities of Privatisation of Facilities Intended for Socio-Cultural and Public and Everyday Service Purposes

1. Facilities intended for socio-cultural (public health, culture and sports) and public and everyday service purposes may be privatised as part of the property complex of a unitary enterprise, except the following facilities used as intended:

facilities catering for the needs of public social protection bodies, in particular, children's homes, infants' homes, old age homes, nursing homes, hospitals and sanatoria for disabled persons, children and old-age persons;

public health, educational, cultural facilities intended for providing services to the inhabitants of a specific inhabited locality;

children's health rehabilitation complexes (dachas, camps);

housing and housing infrastructure facilities;

transport and power plant facilities intended for providing services to the inhabitants of a specific inhabited locality.

The intended purpose of the facilities specified in the present item may be changed by agreement with relevant local government bodies.

2. Facilities intended for socio-cultural and public and everyday service purposes not included in the property complex of unitary enterprise subject to privatisation, on the grounds specified in Item 1 of the present article shall be made municipal property in the manner established by law.

3. Facilities intended for socio-cultural and public and everyday service purposes which are permitted for privatisation but which have not been included in the property complex of unitary enterprise subject to privatisation may be privatised separately in keeping with the present Federal Law.

4. The condition sine qua non of privatisation of facilities intended for socio-cultural and public and everyday service purposes is preservation of their purpose for the term set by the decision on privatisation terms and conditions but not exceeding five years after the time of privatisation.

If the owner violates the clause of preservation of the intended purpose of a facility intended for socio-cultural and public and everyday service purposes during the said term the local government bodies shall be entitled to file a complaint with a court claiming seizure by repurchase of such a facility for municipal needs.

Article 31. Encumbrances on Privatised State or Municipal Property

1. In the case of alienation of state or municipal property by privatisation the property in question may have an encumbrance of the limitations specified in the present federal law or other federal laws as well as a public easement.

2. The limitations may be as follows:

1) the duty to use the state or municipal property acquired by privatisation according to its intended purpose, in particular, facilities intended for socio-cultural and public and everyday service purposes;

2) the duty to maintain property not included in the composition of privatised property complex of unitary enterprise and connected to privatised property by its technical characteristics, location (for pieces of immovable property), purpose, the duty to maintain civil defence facilities, facilities intended for socio-cultural and public and everyday service purposes, mobilisation-purpose property;

3) other duties envisaged by a federal law or in the manner established pursuant to such a law.

3. The public easement may be as follows: the owner's duty to allow a limited use of privatised state or municipal property (in particular, plots of land and other pieces of immovable property) by other persons, namely:

provide free access, passage for people or vehicles;

provide an opportunity for placing boundary, survey and other marks;

provide an opportunity for laying and operating electric power transmission lines, communication lines and pipelines, water-supply, sewerage and amelioration systems.

4. The decision whereby an encumbrance, in particular, public easement is established shall be adopted simultaneously with the adoption of the decision on the terms and conditions of privatisation

of state or municipal property.

An encumbrance, in particular, public easement, in case when a relevant decision has been adopted on the establishment thereof, shall be deemed a significant condition of the privatisation deal. Information on the institution of an encumbrance, in particular, public easement shall be included in the information announcement of privatisation of state or municipal property.

5. The transfer of rights to state or municipal property with an encumbrance in the form of a public easement shall not ensue termination of the public easement.

The limitations on the rights of owner of property acquired by the privatisation of state or municipal property envisaged by the present article shall be preserved in all deals in such property until their annulment (termination of the public easement).

6. If the owner of property acquired by the privatisation of state or municipal property violates an easement instituted, in particular, the terms of a public easement the following may be accomplished under a court decision:

the said person may be assigned the duty to perform in kind the terms of the encumbrance, in particular, of the public easement;

the losses incurred due to the violation of the terms of the encumbrance, in particular, the public easement may be collected from the said person as revenue of the state or municipal entity, or in the absence of the latter, as revenue of a Russian region.

7. An encumbrance, in particular, public easement may be terminated or the terms thereof may be changed in the case of:

lack of or change in the state or public interest in the encumbrance, in particular, the public easement;

the impossibility or a significant difficulty of the use of the property according to its direct purpose.

8. The termination of an encumbrance, in particular, a public easement or the alteration of their terms is allowed under a decision of the body that has adopted the decision on the terms and conditions of privatisation or another empowered body or under a court decision issued on a complaint filed by the owner of the property.

Article 32. Execution of Contracts of the Sale of State or Municipal Property

1. The sale of state or municipal property shall be made formal by means of executing a sale contract.

2. The conditions sine qua non of the contract of sale of state or municipal property shall be as follows:

information on the parties to the contract; a description of the state or municipal property; its location; the composition and price of the state or municipal property; the number of shares of public jointstock company, their category and value; under the present Federal Law the procedure and term for transferring the state or municipal property into the ownership of the buyer; the form and term of payment for the property acquired; the terms on which the said property has been acquired by the buyer;

the procedure for the buyer to exercise powers in respect of the said property before the transfer of right of ownership of the said property to the buyer;

information on the availability of an encumbrance (in particular, a public easement) on the building, house, structure or plot of land being sold if it continues to exist after the transfer of the rights relating to the said facilities;

other terms and conditions established by the parties to such a contract by mutual agreement.

The buyer's obligations in respect of the state or municipal property being acquired shall have terms set for the completion of performance thereof and also a valuation assessed in compliance with Russian law, except for obligations not relating to committal of the actions of transfer of acquired state or municipal property, performance of works, payment of amounts of money.

3. The right of ownership of state or municipal property being acquired shall pass to the buyer in the established manner after full payment has been made for it with due regard to the peculiarities established by the present Federal Law.

4. The right of ownership of immovable property being privatised shall pass to the buyer as of the date of state registration of the transfer of the right of ownership of such property. The ground for the state registration of such property shall be a contract of sale of the immovable property as well as an acceptance certificate or property delivery/acceptance certificate. The buyer shall bear expenses towards payment for the registrar's services.

Chapter VI. Payment and Distribution of Proceeds from the Sale of Property

Article 33. Distribution of Proceeds from Transactions of Sale of State or Municipal Property

1. "Pecuniary proceeds from the sale of state or municipal property" means amounts of money received from buyers in payment for state or municipal property less expenses for the organisation and conduct of privatisation of the property.

The amounts and types of expenses for the organisation and conduct of privatisation of federal property shall be established by the Government of the Russian Federation. The amounts and types of expenses for the organisation and conduct of privatisation of property owned by Russian regions and or municipal property shall be established by the governmental bodies of the Russian regions and local government bodies respectively.

2. The pecuniary proceeds received from the sale of federal property, the property of Russian regions or municipal entities, from the first through the fifteenth days of each month, shall be subject to remittance to the federal budget, the budgets of Russian regions and local budgets respectively not later than the 25th day of a relevant month. The amounts of money received from the sale of federal property, property owned by Russian regions or municipal entities shall be subject to remittance, from the 16th through the 31st day of every month to the federal budget, the budgets of Russian regions, local budgets respectively not later than the 10th day of the month following a relevant month.

3. In the case of later remittance of amounts of money received from the sale of state property the federal executive [governmental body](#) in whose cognisance there are the issues of co-ordination and regulation of tax collection activity, the territorial bodies thereof shall be entitled to write off in the acceptance-free manner of the said amounts of money.

4. Penalty shall be paid for late remittance of proceeds from the sale of federal property, property of Russian regions or municipal property to the federal budget, the budgets of Russian regions and local budgets respectively, per deferment day at the rate of one three hundredth of the [refinancing interest rate](#) of the Central Bank of the Russian Federation effective as of the date of performance of the monetary obligations in respect of relevant budgets.

5. The monitoring of the procedure and proper timing of remittance of proceeds from the sale of federal property to the federal budget shall be the responsibility of federal executive governmental bodies and also the Chamber of Accounts of the Russian Federation.

Article 34. Tender for Making Payment in the Case of Sale of State or Municipal Property

1. Russian currency shall be deemed legal tender in the case of sale of state and municipal property.

If state property is sold outside of the territory of the Russian Federation the currencies of foreign states may be tender.

2. The transfer of state or municipal property to creditors to offset the state domestic borrowing of the Russian Federation, the state borrowing of Russian regions, municipal borrowing, and equally, the exchange of state or municipal property for privately-owned property is prohibited, except for the cases established by the present Federal Law.

Article 35. Procedure for Making Payment for State or Municipal Property

1. Payment for the state or municipal property acquired by the buyer shall be effected as lump-sum or in instalments. The instalment payment schedule shall not exceed one year.

2. A decision whereby an instalment payment schedule is granted may be taken in the case of privatisation of state or municipal property in compliance with [Article 24](#) of the present Federal Law.

3. The decision whereby an instalment payment schedule is granted shall comprise an indication of the term of the schedule and payment procedure. The term of an instalment payment schedule and payment procedure shall be subject to disclosure by means of an information announcement of privatisation of state or municipal property.

4. Interest shall be charged on the amount of money covered by an instalment payment schedule, on the basis of the rate equal to one third of the [refinancing rate](#) of the Central Bank of the Russian Federation effective as of the date of publication of the announcement of the sale.

Interest accrued shall be distributed in the manner specified in [Article 33](#) of the present Federal Law.

The buyer is entitled to make payment for acquired state or municipal property before due time.

5. The right of ownership of state or municipal property acquired on an instalment payment schedule shall be transferred in the manner established by Russian law and the provisions of [Item 3 of Article 32](#) of the present Federal Law shall not extend to such cases.

The transfer of property acquired on an instalment payment schedule to the buyer shall be effected in the manner established by Russian law and the sale contract within 30 days after the date of conclusion of the contract.

6. From the time when a property acquired on instalment payment schedule is transferred until the time when full payment is made for the said property is recognised, by the virtue of the present Federal Law, as mortgaged for the purpose of providing a security for the buyer's performance under his obligation to make payment for the state or municipal property acquired.

If the buyer violated the term and payment procedure the mortgaged property shall be collected in judicial proceedings.

Also the losses inflicted by a default on performance under the sale contract may be collected from the buyer.

7. The procedure for making payment for property owned by Russian regions or municipal entities shall be established by relevant governmental bodies of the Russian regions and local government bodies.

Article 36. Refund Procedure for Invalid Transactions of Sale of State or Municipal Property

1. The refund of amounts of money on invalid transactions of sale of state or municipal property shall be effected under a court decision that has become final on the account of the funds received in connection with other transactions of privatisation of federal property, state property of Russian regions, municipal property respectively. After the transfer of property under a court decision into state or municipal ownership the amounts of money specified by the court decision shall be subject to refund to the buyer out of the sum of money received as payment made by other buyers for privatised state or municipal property, before the distribution of funds in compliance with [Article 33](#) of the present Federal Law. The funds remaining after the performance of court decisions shall be subject to remittance to their beneficiaries in the manner established by Article 33 of the present Federal Law.

2. If proceeds from transactions of sale of federal property, property owned by Russian regions and municipal property are insufficient for a full refund within the term set by writs of execution the outstanding amounts shall be refunded on the account of resources of the state treasury of the Russian Federation, the treasury of the Russian regions and local budgets.

Chapter VII. The Peculiarities of Formation and Legal Status of the Public Joint-Stock Companies Whose Shares Are in State or Municipal Ownership

Article 37. The Peculiarities of Formation of a Public Joint-Stock Company by Means of Transformation of a Unitary Enterprise

1. A public joint-stock company formed by means of transformation of unitary enterprise shall

become successor of the unitary enterprise in compliance with an acceptance certificate drawn up in the manner stipulated in [Article 11](#) of the present Federal Law, with all the alterations in the composition and value of the property complex of the unitary enterprise that have occurred since the adoption of the decision on the terms and conditions of privatisation of the property complex of the unitary enterprise.

2. In the constitution of a public joint-stock company formed by means of transformation of a unitary enterprise account shall be taken of the provisions of the [Federal Law](#) on Joint-Stock Companies and the peculiarities established by the present Federal Law.

3. The constitution of the public joint-stock company shall set out, in a compulsory way, the goals and the subject matter of activity of the public joint-stock company being formed.

4. The amount of authorised capital of a public joint-stock company formed by means of transformation of a unitary enterprise shall be determined in the manner specified by [Article 11](#) of the present Federal Law.

5. Before the first meeting of shareholders the head of the state or municipal unitary enterprise transferred into a public joint-stock company shall be appointed by the director (director general) of the public joint stock company.

6. Simultaneously with the adoption of the constitution of the public joint-stock company the number of members of the board of directors (supervisory board) shall be set and members of the board of directors (supervisory board) and its chairman shall be appointed as well as members of the company's audit commission (auditor) for a term ending when the first general meeting of shareholder is held.

Article 38. The Peculiarities of Legal Status of the Public Joint-Stock Companies in Respect of Which a Decision Was Made to Use the Special Right ("Golden Share")

1. For the purposes of ensuring national defensive capability and state security, protecting the morals, health, rights and lawful interests of citizens of the Russian Federation the Government of the Russian Federation and the governmental bodies of Russian regions may adopt decisions to use the special rights of participation of the Russian Federation and Russian regions respectively in the management of public joint-stock companies (hereinafter referred to as "special right ("golden share)"). A decision to use the special right ("golden share") may be adopted when the property complexes of unitary enterprises are privatised or when a decision is made to delete a public joint-stock company from the list of strategic joint-stock companies, irrespective of the number of shares owned by the state.

The Russian Federation and the Russian regions shall not simultaneously use the special right ("golden share") in respect of one and the same public joint-stock company. Also the Russian regions shall not use the special right ("golden share") in respect of a public jointstock company formed by means of transformation of a federal state unitary enterprise within the term when shares of the company are in federal ownership.

2. The Government of the Russian Federation or the governmental bodies of Russian regions that have adopted a decision to use the special right ("golden share") shall appoint a representative of the Russian Federation, the Russian region respectively to the board of directors (supervisory board) and a representative to the audit commission of the public joint-stock company.

See the [Procedure for Appointment and Activities of Representatives of the Russian Federation in the Board of Directors and in the Audit Commission of a Joint-Stock Company in Respect of Which a Decision Has Been Rendered to Exercise the Special Right of the Russian Federation to Participate in Managing It \("Golden Share"\)](#) endorsed by [Decision](#) of the Government of the Russian Federation No. 44 of January 23, 2003

The representative of the Russian Federation, a Russian region may be a civil servant who pursues his/her activity on the basis of the regulations approved by the Government of the Russian Federation, the governmental bodies of Russian regions respectively.

The Government of the Russian Federation, the governmental bodies of Russian regions are entitled to replace, at any time, a specific representative in the board of directors (supervisory board) or audit commission of a public joint-stock company.

3. A public joint-stock company in respect of which a decision has been adopted to use the special right ("golden share") shall notify the representatives of the Russian Federation, Russian regions in the manner established by Russian law of the date of the general meeting of shareholders and the would-be agenda thereof.

The representatives of the Russian Federation, Russian regions are entitled to forward proposals to the agenda of the annual general meeting of shareholders and demand convocation of an extraordinary general meeting of shareholders.

The representatives of the Russian Federation, Russian regions appointed to the board of directors (supervisory board) of a public joint-stock company shall attend the general meeting of shareholders with a right of veto when the general meeting votes on the following decisions:

amending the constitution of the joint-stock company or endorsing the constitution of the public joint-stock company in a new wording;

re-organising the public joint-stock company;

liquidating the public joint-stock company, appointing a liquidation commission and endorsing an interim and final liquidation balance sheets;

altering the amount of authorised capital of the public joint-stock company;

accomplishing large-scale transactions and transactions in the accomplishment of which there is an interest specified in [Chapters X](#) and [XI](#) of the Federal Law on Joint-Stock Companies.

4. The representatives of the Russian Federation, Russian regions who are members of the board of directors (supervisory board) and audit commission of a public joint-stock company shall be included in the numbers of members of the board of directors (supervisory board) and the numbers of members of the audit commission set by the constitution or decision of the general meeting of the public joint-stock company. The places of representatives of the Russian Federation, Russian regions in the board of directors (supervisory board) and audit commission shall not be taken into account in the case of election of members of the board of directors (supervisory board) and audit commission.

5. The special right ("golden share") shall be used from the time of alienation from under state ownership of 75 per cent of the shares of a public joint-stock company.

A decision to terminate the effect of the special right ("golden share") shall be adopted by the Government of the Russian Federation, the governmental bodies of Russian regions respectively which have adopted the decision to use the special right ("golden share"). The special right ("golden share") shall keep effective until the adoption of a decision whereby it is terminated.

6. The special right ("golden share") shall not be subject to replacement for shares of a public joint-stock company in respect of which a decision has been adopted to use the said right.

Article 39. The Peculiarities of Legal Status of Public Joint-Stock Companies Whose Shares Are Owned by the Russian Federation, Russian Regions or Municipal Entities

1. The rights of shareholder of the public joint-stock companies the shares of which are owned by the Russian Federation shall be exercised on behalf of the Russian Federation by the Government of the Russian Federation and/or the empowered federal executive governmental body, a specialised state institution or specialises state institutions.

The rights of shareholder of the public joint-stock companies the shares of which are owned by Russian regions or municipal entities shall be exercised on behalf of the Russian regions, municipal entities by the governmental bodies of the Russian regions and local government bodies respectively.

The representatives of interests of the Russian federation, Russian regions, municipal entities, in the managerial bodies and audit commissions of public joint-stock companies may be persons who hold state and municipal offices as well as other persons.

The procedure for managing state or municipally-owned shares of the public joint-stock

companies formed in the course of privatisation shall be established by the Government of the Russian Federation, the governmental bodies of Russian regions or local government bodies.

See the [Regulations on the Procedure for Managing the Shares of Open Joint-Stock Companies Which Are in Federal Ownership and for Exercising the Special Right of the Russian Federation to Participate in Managing Open Joint-Stock Companies \("Golden Share"\) endorsed by \[Decision of the Government of the Russian Federation No. 44 of January 23, 2003\]\(#\)](#)

2. In case when 100 per cent of the shares of a public joint-stock company are state-owned or municipally-owned the powers of the paramount managerial body of the company, i.e. the general meeting of shareholders, shall be exercised in the name of a relevant owner of the shares in the manner established by the Government of the Russian Federation, the governmental bodies of Russian regions, local government bodies. The procedures envisaged by the [Federal Law](#) on Joint-Stock Companies for preparation and holding of the general meeting of shareholders shall not apply.

3. The sole executive body of a public joint-stock company included in the list of strategic joint-stock companies is not entitled to conclude deals relating to alienation of the shares contributed in the company's authorised capital under a decision of the Government of the Russian Federation, and equally, deals capable of causing an opportunity for their being alienated or put in trust without the consent of the Government of the Russian Federation or the empowered federal executive governmental body. A deal concluded without such a consent is null and void.

Article 40. Retention of the State's or Municipal Entity's Interest in the Authorised Capital of Public Joint-Stock Companies

If there are state or municipally-owned shares among the shares of a public joint-stock company formed in the course of privatisation that make up over 25 per cent of votes at the general meeting of shareholders an increase in the authorised capital of the said company by means of issuance of additional shares shall be brought about in such a way that the interest of the state or municipal entity is retained by means of contribution into the company's authorised capital of state or municipal property or funds from a relevant budget to make payment for the shares issued additionally.

Article 41. Registering a Shares Issue, Keeping a Register of Shareholders, Keeping Record of the Shares of Public Joint-Stock Companies Formed in the Course of Privatisation

1. The state registration of shares issues of public joint-stock companies formed in the course of privatisation shall be effected in the manner established by the present Federal Law and the legislation of the Russian Federation on securities.

2. If, under the [Federal Law](#) on Securities Market, the registration of a shares issue of a public joint-stock company is accompanied by the registration of a prospectus of issue a prospectus of issue meeting the criteria set in the Federal Law on Securities Market shall be filed for the purposes of registering the shares issue of the public joint-stock company.

3. The holder of the shares of a public joint-stock company owned by the Russian Federation, a Russian region or a municipal entity shall be entered in the register of shareholders of the joint-stock company as "the Russian Federation, the Russian region, the municipal entity" respectively as represented by a relevant empowered body and/or specialised state institution or specialised state institutions.

4. The Russian Federation, Russian regions and municipal entities shall be registered in the registers of shareholders of the public joint-stock companies whose shares are state-owned or municipally-owned respectively free of charge.

5. If a decision is taken to use the special right ("golden share") relating to participation of the Russian Federation, a Russian region respectively in the management of a public joint-stock company an entry to this effect shall be made in the constitution of the public joint-stock company and the register of shareholders thereof.

Chapter VIII. Transitional and Conclusive Provisions

Article 42. Protection of the Rights of State and Municipal Entities as Owners of Property

1. The Government of the Russian Federation, the empowered federal executive governmental body, the specialised state institution or the specialised state institutions performing, on the special instructions of the Government and on its behalf, the functions of sale of privatised federal property and also governmental bodies of the Russian regions and local government bodies shall bring action and act in courts on behalf of the Russian Federation, Russian regions, municipal entities respectively in protection of the rights in rem and other rights and lawful interests of the Russian Federation, Russian regions, municipal entities.

2. The Government of the Russian Federation, an empowered federal executive governmental body are also entitled to bring action for the purpose of protecting state interests.

3. Protection of the rights of the Russian Federation, Russian regions and municipal entities as owners of property shall be financed on the account of relevant budgets and also the funds specified in [Article 33](#) of the present Federal Law.

The persons specified in [Item 1](#) of the present article are relieved from state duty in courts in case when state interests or the interest of a municipal entity are represented and also in case when state interests are protected.

4. The deals of privatisation of state or municipal property concluded by persons not authorised to do so shall be recognised null and void.

5. Proceeds from the collection of fines for a default on performance under the obligations of state or municipal property privatisation deals shall be subject to remittance in the manner established by [Article 33](#) of the present Federal Law.

6. Officials of the public joint-stock companies formed in the course of privatisation shall be held accountable under Russian law for a default on provision or late provision of the information needed for the publication of an information announcement and envisaged by [Article 15](#) of the present Federal Law.

Article 43. Transitional Provisions

1. The state and municipal enterprise privatisation plans and the foundation documents of public joint-stock companies whose shares are 100-per cent state-owned or municipally-owned, approved prior to the [entry into force](#) of the present Federal Law, shall be brought in line with the provisions of the present Federal Law.

2. From the date of entry into force of the present Federal Law the sale of state and municipal property shall be effected in the manner specified in the present Federal Law, except for case when an information announcement had been posted in the established manners or an offer had been forwarded in another manner for the purpose of entering into a state or municipal property privatisation deal before the said date. In such cases deals shall be concluded on the basis of such an information announcement or offer in compliance with the [legislation](#) of the Russian Federation on privatisation that effective before.

3. If a notice is forwarded to an employee of a privatised enterprise (a person qualifying as such) before the [entry into force](#) of the present Federal Law concerning the price, face value and number of the shares the employee is entitled to according to the results of closed subscription the provisions of the present Federal Law shall not apply to the closed subscription.

4. The preferred shares, Type B, issued by the public joint-stock companies formed by means of transformation of unitary enterprises shall acquire the status of ordinary shares whereby the Russian Federation, Russian region or municipal entity is provided with all the rights of a shareholder being a holder of ordinary shares, under Russian law.

The foundation documents of the public joint-stock companies formed before the entry into force of the present Federal Law that contain the preferred shares, Type B, clause shall be brought in line with the provisions of the present Federal Law. Until the time when they are brought in line with the provisions of the present Federal Law the foundation documents of the said companies shall be

applicable in as much as they do not conflict with the present Federal Law.

5. The regulatory legal acts of the President of the Russian Federation, regulatory legal acts of the Government of the Russian Federation governing relations which in compliance with the present Federal Law are governed by other federal laws or other regulatory legal acts of the Government of the Russian Federation shall keep effective until the enactment of relevant federal laws or regulatory legal acts of the Russian Federation, in as much as they do not conflict with the present Federal Law.

6. Except as otherwise established by Russian law, from the date of entry into force of the present Federal Law, the property which under regulatory legal acts of the President of the Russian Federation issued by him before the [entry into force](#) of [Part 1](#) of the Civil Code of the Russian Federation and federal laws is defined as prohibited for privatisation shall be a property that can only be in state or municipal property.

7. Property of the Russian Federation in the form of a share in a right of ownership of property may be alienated by decision of the Government of the Russian Federation, in particular, by means of formation of an economic company on the basis of the assets in share ownership with a possible subsequent sale of the shares (interest) owned by the Russian Federation to other participants in this economic company at the market price.

8. Effective from the [entry into force](#) of the present Federal Law payment for the state registration of rights to immovable property of the treasury of the Russian Federation, the treasury of a Russian region or the treasury of a municipal entity shall not be charged for the purposes of accomplishing state or municipal property privatisation deals.

9. Effective from the entry into force of the present Federal Law the Russian regions and municipal entities shall be relieved from payment for the state registration of the public joint-stock companies formed by means of transformation of unitary enterprises.

10. Effective from the entry into force of the present Federal Law the shares of public joint-stock companies fixed in federal ownership, in the ownership of Russian regions or ownership of municipal entities shall be deemed in ownership of the Russian Federation, the Russian regions, the municipal entities respectively.

11. Effective from the entry into force of the present Federal Law the shares of close joint-stock companies owned by the Russian Federation, Russian regions or municipal entities, interests in limited liability companies, contributions in trust partnerships may be alienated through exercise of the priority right of their owners to buy them at a price set in compliance with the [legislation](#) of the Russian Federation on appraisal activity, and in the case of waiver of the priority right, in the way established by the present Federal Law.

On alienating the shares of joint-stock companies, stakes in the limited liability companies and deposits in the trust partnerships owned by the Russian Federation, see [Decision](#) of the Government of the Russian Federation No. 886 of December 11, 2002

The state or municipally-owned shares of a close joint-stock workers' company (a popular enterprise) with at least 51 per cent of its authorised capital being owned by employees being shareholders may be sold at the market price to employees of the popular enterprise being shareholders or to the popular enterprise proper, or if they refuse, other employees of the popular enterprise.

If, within the term set in the decision on the sale of the said shares the employees of the popular enterprise being shareholders or the popular enterprise proper, or in the case of their refusal, other employees of the popular enterprise did not express a will to acquire the state or municipally-owned shares of the close joint-stock workers' company (popular enterprise), the shares shall be subject to sale by the methods and in the manner specified in the present Federal Law.

12. In the case of conclusion of a contract of lease with repurchase right before the entry into force of the present Federal Law the repurchase of the state or municipal property shall be effected on the application of the lessee of the property:

1) within the term set in the contract of lease with repurchase right if specify the repurchase amount, the term and procedure for the payment thereof;

2) within six months after the [entry into force](#) of the present Federal Law if the contract of lease with repurchase right does not specify the repurchase amount, the term and procedure for the payment thereof by means of:

contribution of the leased state or municipal property in the authorised capital of a public joint-stock company formed jointly with the lessee, where the latter has a priority right to purchase shares of the said company, if the market value of the leased property as of the date of filing of the application exceeds 10,000-fold [minimum wage rate](#) as established by a federal law. The procedure for valuating the said shares, the term and procedure for making payment for them shall be determined in compliance with the present Federal Law;

conclusion of an additional contract setting out terms concerning the repurchase amount, the term and procedure for the payment thereof if the market value of the leased property as of the date of filing of the application is up to 10,000-fold minimum wage rate as established by a federal law.

If, upon the expiration of the term established by a contract or the present item, no application is filed by the lessee the nonimplemented repurchase clause of such contracts shall no longer be valid.

See the [Regulations for the Realisation of Rental Contracts for Federal Property with the Option of Redemption Concluded before the Entry into Effect of the Federal Law On Privatisation of State and Municipal Property approved by \[Decision\]\(#\) of the Government of the Russian Federation No. 707 of September 25, 2002](#)

13. If all the property of a state or municipal unitary enterprise, except for the building or non-residential premises where the said unitary enterprise was located, is acquired into ownership before the entry into force of [Chapter IV of Part 1](#) of the Civil Code of the Russian Federation simultaneously with the conclusion of a contract of lease allowing a repurchase of such a building or non-residential premises the said building or non-residential premises shall be subject to sale to the owner who has acquired the whole property of the unitary enterprise, at the market price under a contract concluded by him and the owner of the building or non-residential premises. Upon the expiration of two years after the [entry into force](#) of the present Federal Law the repurchase clauses of such contracts shall become invalid.

14. Before the delineation of state ownership of land a decision on privatisation of plots of land not classified under Russian [law](#) as property of the Russian Federation or property of Russian regions shall be adopted by:

the bodies which have made the decision to privatise the pieces of immovable property located on these plots of land;

the bodies [authorised](#) by the Government of the Russian Federation - in respect of plots of land on which other pieces of immovable property are located.

[Federal Law No. 29-FZ of February 27, 2003 supplemented Article 43 of this Federal Law with new Item 15:](#)

The previous Items 15 - 17 shall be deemed Items 16 - 18 accordingly

15. When privatizing federal railway transport property, [Item 1 of Article 30](#) of this Federal Law shall not apply.

16. If a property is discovered which was to be contributed in the authorised capital of a public joint-stock company but was not included at the formation thereof in the composition of the privatised property the said company shall be given a priority right to acquire the property at the market value. Property not repurchased by the public joint-stock company shall be privatised in the manner established by the present Federal Law.

17. The sale of shares of the public joint-stock companies specified in privatisation plans of such companies for the purposes of being sold through enterprise employees joint-stock funds shall be effected in the manner and by the methods specified in the present Federal Law.

Preferred shares, Type A, not sold in the established manner shall be alienated for a consideration in the manner established by the present Federal Law.

18. If, as of the date of entry into force of the present Federal Law a decision to use the special

right ("golden share") is made by the Russian Federation, a Russian region or municipal entity in respect of one and the same public joint-stock company this special right ("golden share") applied by the Russian Federation shall keep effective after the entry into force of the present Federal Law.

The special right ("golden share") shall keep effective in the cases of transformation in the established manner of public joint-stock companies into close joint-stock companies, in particular joint-stock workers' companies (popular enterprises).

Article 44. Amending the [Federal Law](#) on Appraisal Activity in the Russian Federation

In connection with the [entry into force](#) of the present Federal Law [Part 2 of Article 8](#) of Federal Law No. 135-FZ of July 29, 1998 on Appraisal Activity in the Russian Federation (Collection of the Legislation of the Russian Federation, item 3813, No. 31, 1998) is hereby amended to be set out as follows:

"The present article shall not extend to relations emerging in the case of disposal by state or municipal unitary enterprises state and municipal institutions of the property attached thereto for economic management or operative control, except for cases when the disposal of property under Russian law is permitted on the consent of the owner of the property and also to relations emerging in the case of disposal of state or municipal property when state or municipal enterprises, state and municipal institutions are being re-organised."

Article 45. Recognising as Invalid Other Federal Laws

The following shall no longer be in effect as of the [entry into force](#) of the present Federal Law: [Federal Law](#) No. 123-FZ of July 21, 1997 on the Privatisation of State Property and the Fundamentals of Privatisation of Municipal Property in the Russian Federation (Collection of the Legislation of the Russian Federation, item 3595, No. 30, 1997);

[Federal Law](#) No. 116-FZ of June 23, 1999 on Amending the Federal Law on the Privatisation of State Property and the Fundamentals of Privatisation of Municipal Property in the Russian Federation (Collection of the Legislation of the Russian Federation, item 3173, No. 26, 1999);

[Federal Law](#) No. 109-FZ of August 5, 2000 on Amending Article 10 of the Federal Law on the Privatisation of State Property and the Fundamentals of Privatisation of Municipal Property in the Russian Federation (Collection of the Legislation of the Russian Federation, item 3332, No. 32, 2000).

Article 46. Procedure for Putting Into Force the Present Federal Law

The present Federal Law shall enter into force upon the expiration of three months after its [formal publication](#).

The President of the Russian Federation and the Government of the Russian Federation shall bring their regulatory legal acts in line with the present Federal Law.

See [Decree of the President of the Russian Federation No. 1514 of December 21, 2001 on the Interaction of the President of the Russian Federation and the Government of the Russian Federation on the Issues of Privatisation of State and Municipal Property](#)

President
of the Russian Federation

V.Putin