

FEDERAL LAW
NO. 123-FZ OF JULY 21, 1997
ON THE PRIVATIZATION OF THE STATE PROPERTY
AND ON THE PRINCIPLES OF PRIVATIZATION OF
THE MUNICIPAL PROPERTY IN THE RUSSIAN FEDERATION
(with the Amendments and Additions of June 23, 1999, August 5, 2000)

Adopted by the State Duma on June 24, 1997
Approved by the Federation Council on July 3, 1997

See also [Review](#) of the practice of settling disputes connected with the enforcement by arbitration courts of the Federal Law on the privatization of state property and on the fundamentals of privatization of municipal property in the Russian Federation, given by Informational [Letter](#) No. 60 of February 21, 2001

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the Privatization of the State and	
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The present Federal Law lays down organizational and legal foundations for the transformation of property relations in the Russian Federation through the privatization of the state and municipal property, aimed at raising the efficiency of the economy, at its social orientation, and at improving the payment balance of the Russian Federation and implementing protectionism in respect to Russian commodity producers.

Chapter I. General Provisions

Article 1. The Concept of Privatization of the State and Municipal Property

For the purposes of the present Federal Law, the privatization of the state and of the municipal property shall be interpreted as a payable alienation of the property (of the privatization objects), which is in the ownership of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities, into the ownership of natural and of legal persons.

Article 2. Legislation of the Russian Federation on the Privatization of the State and Municipal Property

The legislation of the Russian Federation on the privatization of the state and of the municipal property consists of the present Federal Law, of the other federal laws and the other legal normative acts of the Russian Federation, passed in correspondence with them, and of the laws and the other legal normative acts of the subjects of the Russian Federation.

Article 3. Restriction of the Sphere of Operation of the Present Federal Law

The operation of the present Federal Law shall not be spread to:

- the privatization of the property of the Russian Federation, of the subjects of the Russian Federation or of the municipal entities, which is in the shared ownership with natural and with legal persons;
- the restoration of the property rights of the owners, of their heirs and of the legal successors to the property, which was nationalized, confiscated or alienated in any other way, against the will of the said persons, into the state or into the municipal ownership;
- the privatization of land;
- the privatization of natural resources;
- the privatization of the state-run and of the municipal housing fund;

- the privatization of the state reserve;
 - the privatization of the state and of the municipal property, situated outside of the territory of the Russian Federation;
 - the privatization of the social- and cultural-purpose objects, as well as of the objects of the historical-cultural heritage and of natural objects;
 - the relations, arising in the disposal by the state-run and the municipal unitary enterprises and institutions of the property, assigned to them by the right of economic use or of operative management;
 - the cases of the fulfilment by the Russian Federation of its obligations by the international agreements, concluded by the Russian Federation;
 - the cases of the transfer of the state or of the municipal property to non-profit organizations.
- The alienation of the state and of the municipal property, mentioned in the present Article, including the land plots, comprising a single whole with the privatization objects, shall be regulated by other federal laws.

Article 4. State Programme for the Privatization of the State and the Municipal Property in the Russian Federation

1. Priorities in implementing the privatization of the state and of the municipal property in the Russian Federation, restrictions, imposed on carrying it out and the procedure for the state and the municipal property alienation into the ownership of natural and of legal persons, as well as the principles of the privatization of the municipal property in the Russian Federation, shall be established by the Federal Law on the State Programme for the Privatization of the State Property in the Russian Federation (hereinafter referred to as the Privatization Programme).

The Government of the Russian Federation shall annually, simultaneously with the draft federal law on the federal budget for the respective year, submit to the State Duma of the Federal Assembly of the Russian Federation the draft federal law on the introduction of amendments and addenda into the Privatization Programme.

The Government of the Russian Federation shall annually, before April 1 of the current year, submit to the Federal Assembly of the Russian Federation a report on the implementation of the Privatization Programme in the course of the past year.

2. The Privatization Programme contains:

- a forecast of the privatization of the state property in the respective sectors of the Russian Federation economy;
- a forecast of amending the payment balance of the Russian Federation as a result of the privatization of the state property;
- a forecast of an increase in the internal and the external investments into the Russian Federation economy as a result of the privatization of the state property;
- demands, made on the privatization programmes of the subjects of the Russian Federation in the sphere of providing for the goals and the methods of the privatization of the state property, defined in the present Federal Law;
- the order of selecting methods for the privatization of the state property and for the decision-making on its privatization, the terms of assigning the shares of the open joint-stock companies, created in the course of the privatization, into the state and into the municipal ownership, respectively, and the procedure for taking decisions on the use, with respect to the open joint-stock companies, of the special right for the participation of the Russian Federation, of the subjects of the Russian Federation or of the municipal entities in the management of the open joint-stock companies (the golden share);
- the procedure for estimating the cost of the privatized state property; formulating privileges for the workers of the state-run and of the municipal unitary enterprises, transformed into open joint-stock companies, and the procedure for granting such privileges;
- the procedure and the normatives for the distribution of the monetary means, derived as a result of privatization of the federal property.

3. The state property is classified in the Privatization Programme as follows:

- the property, whose privatization is forbidden;
- the property, which is assigned into the state ownership until the decision on the termination of its assignment is taken;
- the property, which is privatized with the prohibition of the participation in its privatization of foreign natural and legal persons, as well as of the residents of the Russian Federation, who have foreign natural or legal persons as the founders (the partners), or as the affiliated persons;
- the property, which is privatized on the ground of the Decision of the Government of the Russian Federation;
- the property, privatized on the ground of the decision of the federal executive power body, possessing the powers for performing the functions of the management and of the disposal of the state property (hereinafter referred to as the federal state property management body), in agreement with the federal executive power bodies, endowed with the powers for the coordination and the regulation of the activity in the respective sectors of the economy (hereinafter referred to as the respective federal bodies).

The Privatization Programme contains a forecast list of the state-run unitary enterprises, which are subject to the transformation into open joint-stock companies, as well as a forecast list of the open joint-stock companies, whose shares, which are in the state ownership, it is proposed to sell, the substantiation of the selection of the said enterprises and open joint-stock companies, the supposed ways and term for their privatization, the supposed restrictions in their privatization, the size of the blocks of shares of the open joint-stock companies, subject to sale, and a forecast of the starting price of such blocks of shares. Into the said lists shall be included the state-run unitary enterprises and the open joint-stock companies, the balance cost of whose fixed assets as on the date of entering them into the Privatization Programme exceeds five million of the [minimum sizes of the remuneration of labour](#), established by the federal law. Into the said lists shall also be included the open joint-stock companies, set up in the course of privatization, which are manufacturing the products (performing the works, rendering the services) of strategical importance for guaranteeing the national security of the state. The sale of the shares of the open joint-stock companies, not included into the said lists, which have been created in the course of privatization and which are manufacturing the products (performing the works, rendering the services) of strategical importance for guaranteeing the national security of the state, shall be inadmissible.

Into the forecast lists, in particular, shall be entered:

- the open joint-stock companies, in the course of the sale of whose shares the Government of the Russian Federation has adopted the decision on the assignment of such shares into the federal ownership or on the use of the special right for the participation of the Russian Federation in the management of the said open joint-stock companies (of the golden share);
- the open joint-stock companies, with respect to whose shares, which are in the federal ownership, it is planned in the next year to pass a decision on terminating their assignment, with the indication of the method for their disposal: a partial or the total sale of such shares, their total sale with the use, with respect to the said open joint-stock companies, of the special right to the Russian Federation's participation in the management of the said open joint-stock companies (of the golden share);
- the open joint-stock companies, whose shares, which are in the federal ownership, are subject to the transfer, by way of the Russian Federation's contribution, into the authorized capitals of economic companies;
- the open joint-stock companies, whose shares, which are in the federal ownership, may be alienated in favour of the owners of the state securities, certifying the right to the acquisition of such shares.

In the Privatization Programme are contained the data on the state-run unitary enterprises, whose privatization may be implemented by giving the state-run property in rent to the said enterprises' workers, with the right of its redemption in conformity with the procedure, laid down by [Item 8, Article 20](#) of the present Federal Law.

The Privatization Programme may also contain the lists of the kinds of the state property, in whose privatization privileges for certain citizen categories of the Russian Federation shall be

granted.

4. The restrictions, imposed by the Russian Federation legislation on the privatization on the turnover of certain kinds of the state property, shall stay valid in all the subsequent deals in the said property.

5. The federal laws and the other legal normative acts of the Russian Federation, the laws and the other legal normative acts of the subjects of the Russian Federation, as well as the decisions of the local self-government bodies, shall not contradict the present Federal Law and the Privatization Programme.

Article 5. Powers of the Russian Federation, of the Subjects of the Russian Federation or of the Municipal Entities with Respect to the Individual Open Joint-Stock Companies

1. To provide for the country's defence and for the state security, and to protect the morality and the health, the rights and the lawful interests of the citizens of the Russian Federation, when transforming the state-run and the municipal unitary enterprises into open joint-stock companies, or when taking decisions on the sale of the shares of open joint-stock companies, which are in the state or in the municipal ownership, the Government of the Russian Federation, the state power bodies of the subjects of the Russian Federation and the local self-government bodies, respectively, may take decisions on the application to the said open joint-stock companies of the special right to the participation, respectively, of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities in the management of the said open joint-stock companies (hereinafter referred to as the special right /the golden share/).

The Government of the Russian Federation, the state power bodies of the subjects of the Russian Federation or the local self-government bodies, which have adopted the decision on the use of the special right (of the golden share), shall appoint, respectively, representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities to the board of directors (to the supervision council) and to the auditing committee of an open joint-stock company.

The open joint-stock company, with respect to which the decision on the use of the special right (of the golden share) is passed, shall be obliged to inform representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities, in accordance with the procedure, laid down by the legislation of the Russian Federation, about the date of holding a general meeting of the share-holders and about the proposed agenda.

Representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities shall have the right to submit proposals for the agenda of the annual general share-holders' meeting, and to demand that an extraordinary general meeting of the share-holders be convened.

Representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities shall have the right to take part in the general share-holders' meeting, as well as the right of veto in the general share-holders' meeting adopting a decision:

- on the introduction of amendments and addenda into the Rules of the open joint-stock company, or on the approval of the Rules of the open joint-stock company in a new edition;
- on the reorganization of the open joint-stock company;
- on the liquidation of the open joint-stock company, on the appointment of a liquidation commission and on the approval of an interim and of the final liquidation balances;
- on the change of the authorized capital of the open joint-stock company;
- on the conclusion of large-scale deals and of the deals of the open joint-stock company, in whose making a vested interest exists, which are mentioned in [Chapters X](#) and [XI](#) of the Federal Law on the Joint-Stock Companies.

Representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities shall have the right of access to all documents of the open joint-stock company and shall bear responsibility for the disclosure of an official and of a commercial secret.

Representatives of the Russian Federation, of the subjects of the Russian Federation and of

the municipal entities shall have the right to receive from the keeper of the open joint-stock company's Register of Securities the data on the name (the title) of the owners of the open joint-stock company's securities, entered into the said Register, and also on the number, the category (the type) and the nominal cost of the securities in their ownership.

Representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities shall have the right to turn to the court with a claim against a member of the board of directors (of the supervision council) of the open joint-stock company, against a single-man executive body of the open joint-stock company (the director, the director general), against a member of the collegiate executive body of the open joint-stock company (the board, the directorate), as well as against the management organization (the manager), for the recompense of the sustained losses, in conformity with [Item 2, Article 71](#) of the Federal Law on the Joint-Stock Companies.

Representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities shall be members of the board of directors (of the supervision council) of the open joint-stock company. The seats of the representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities on the board of directors (in the supervision council) shall not be taken into account when electing the members of the board of directors (of the supervision council). Representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities members of the board of directors (of the supervision council) shall have the rights and the duties, stipulated by the legislation of the Russian Federation.

2. Decisions on the termination of the special right (of the golden share) validity shall be adopted by the Government of the Russian Federation, by the state power bodies of the subjects of the Russian Federation or by the local self-government bodies, which have passed the decision on the application of the special right (of the golden share). The special right (the golden share) shall operate until the decision on its termination is taken.

3. A simultaneous assignment into the state or into the municipal ownership of the open joint-stock company's shares and the use of the special right (of the golden share) with respect to it, shall not be admissible.

4. The special right (the golden share) shall not be liable to exchange for the shares of the open joint-stock company, in respect of which the decision on the application of the said right is taken.

5. Representatives of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities may be appointed, respectively, from among the state and the municipal officials, performing their activity on the ground of the Regulations, approved by the Government of the Russian Federation.

[Federal Law No. 116-fz of June 23, 1999 introduced amendments to Article 6 of the present law](#)
[See previous text of the Article](#)

Article 6. Presentation of the Interests of the Russian Federation, of the Subjects of the Russian Federation or of the Municipal Entities in the Open Joint-Stock Companies, Whose Shares Are Assigned into the State or Municipal Ownership

1. To provide for the country's defence and for the state security, to protect the morality and the health, the rights and the lawful interests of the citizens of the Russian Federation, the Government of the Russian Federation, the state power bodies of the subjects of the Russian Federation and the local self-government bodies, respectively, when transforming the state-run and municipal unitary enterprises into open joint-stock companies, or when taking decisions on the sale of the shares of the open joint-stock companies, which are in the state or in the municipal ownership, may adopt decisions on the assignment of the shares of the said open joint-stock companies into the state or into the municipal ownership.

When over 100 per cent of the shares of a public joint-stock company is placed under state or

municipal ownership the powers of the supreme managerial body of the company, i.e. the general meeting of shareholders, shall be exercised on behalf of a respective owner of shares a body in charge of the management of state (municipal) property. The position of the Russian Federation as a shareholder shall be defined by the federal bodies of executive power designated by the Government of the Russian Federation or in compliance with another procedure established by it. The decisions adopted by the supreme managerial body of the public joint-stock company shall be made out in the form of minutes subject to be kept in compliance with Article 89 of the Federal Law on Joint-Stock Companies. The procedures for preparing and holding the general meeting of shareholders provided in the said Federal Law shall not apply.

The members of the board of directors (supervisory board) of a public joint-stock company shall be appointed for a one-year term by a respective body in charge of the management of state (municipal) property which is entitled to terminate before due time the powers of any of the members (all the members) of the board of directors (supervisory board). The executive bodies of a public joint-stock company shall be set up and the powers thereof shall be terminated before due time by decision of the body in charge of the management of state (municipal) property implementing the competence of the supreme managerial body of the company if under the by-laws of the company the resolution of these matters is not placed under the competence of the board of directors (supervisory board) of the public joint-stock company.

The general meeting of shareholders shall be convened, held and it shall adopt decisions according to the rules provided in the Federal Law on Joint-Stock Companies, effective as of the moment when two and more per cent of the shares of the company is alienated out of the total number of shares (100 per cent) placed earlier under state or municipal ownership.

2. The Government of the Russian Federation, the federal bodies of executive power authorized by it, the bodies of state power of the subjects of the Russian Federation, local self-government bodies shall enter in due course proposals in the agenda of the general meeting of shareholders, propose nominees for members of the board of directors (supervisory board), verification commission as well as the executive bodies of the public joint-stock company, if the resolution of these matters is placed under the competence of the general meeting, and shall appoint representatives for voting at the general meetings of shareholders by the shares being in the ownership of the Russian Federation, the subjects of the Russian Federation and municipal entities respectively.

If among the powers of the representatives there is no indication of the number of votes cast for a nominee, then at the election of the members of the board of directors (supervisory board) and the verification commission of the public joint-stock company representatives of the Russian Federation, a subject of the Russian Federation, a municipal entity shall vote so as to ensure the election of the maximum number of candidates nominated by the Russian Federation, the subject of the Russian Federation, the municipal entity respectively for members of the board of directors (supervisory board) and the verification commission of the public joint-stock company.

3. The persons elected in due course as members of the board of directors (supervisory board) of a public joint-stock company out of the candidates nominated by the authorized bodies of the Russian Federation, the subjects of the Russian Federation, municipal entities shall represent on the board of directors (supervisory board) of the company the interests of the Russian Federation, the subject of the Russian Federation, the municipal entity respectively.

The representatives of the interests of the Russian Federation, a subject of the Russian Federation, a municipal entity on the board of directors (supervisory board) of a public joint-stock company shall agree upon their voting in writing in accordance with the procedure established by the Government of the Russian Federation, the body of executive power of the subject of the Russian Federation, the municipal entity respectively as it concerns the issues considered by the board of directors (supervisory board) of the company, including but not limited to, concerning the personal composition of the executive bodies of the company (if this matter under the by-laws is within the competence of the board of directors (supervisory board)).

The representatives of the interests of the Russian Federation, a subject of the Russian Federation, a municipal entity respectively on the board of directors (supervisory board) of a public

joint-stock company who are civil servants or municipal employees shall not receive remuneration from the company in pecuniary or another form and also shall not cover expenses towards their functions at the expense of the said companies and third persons.

The Government of the Russian Federation, the federal bodies of executive power authorized by it, the bodies of state power of the subjects of the Russian Federation, local self-government bodies are entitled at any time to replace a member of the board of director (supervisory board) elected from among the candidates they have nominated and who represents respective state or municipal interests.

The sole executive body of a joint-stock company having 25 per cent of its shares in state or municipal ownership is not entitled to execute deals to alienate the shares contributed in the authorized capital of the company and, equally, the deals causing a possibility of the alienation or transfer thereof in trust, without a consent in writing of the body in charge of the management of state property which has effected the generation of the authorized capital of the company. A deal executed without such a consent shall be null and void.

The peculiarities of the legal status of public joint-stock companies set up at the privatization of state or municipal enterprises provided under the present Item shall remain effective in respect of the company until the expiration of privatization term or until the moment when the number of shares owned by the state or a municipal entity makes up not more than 25 per cent of the total number thereof.

Article 7. The Federal State Property Management Body

1. A federal state property management body shall be appointed by the President of the Russian Federation upon the presentation of the Chairman of the Government of the Russian Federation.

The head of the federal state property management body shall be a member of the Government of the Russian Federation and shall occupy the post of a Minister of the Russian Federation. In case his powers are extended, the head of the federal state property management body may be a Deputy Chairman of the Government of the Russian Federation.

In the subjects of the Russian Federation, the federal state property management body shall set up its own territorial branches and shall delineate their powers.

2. To implement a uniform state policy in the sphere of the privatization of the state property, the federal state property management body shall:

- coordinate the activity of the respective federal bodies in the sphere of the management and of the disposal of the federal property;
- work out and issue, within the scope of its authority, the legal normative acts, regulating the process of the privatization of the state property, envisaged by the present Federal Law, by the Privatization Programme and by the other federal laws, exert control over the fulfilment of the said legal normative acts, introduce into them amendments and addenda, and also give explanations on the application of the Russian Federation legislation on the privatization;
- submit to the Government of the Russian Federation, jointly with the respective federal bodies, a draft Privatization Programme;
- organize and control the implementation of the Privatization Programme;
- effect, via its territorial branches, the management and control over conducting the privatization of the federal property;
- in conformity with its authority, adopt a decision on the privatization of the federal property and pass over the privatization objects to a specialized institution, to which the Government of the Russian Federation has granted the powers for arranging and holding the sale of the federal property (hereinafter referred to as the specialized institution), for selling it in conformity with the procedure, established by the present Federal Law;
- effect, in accordance with the order, established by the present Federal Law and by the other federal laws, the transformation of the state-run unitary enterprises into open joint-stock companies;
- on behalf of the Russian Federation, come out as a founder of open joint-stock companies, set up in the course of privatization;

- on behalf of the Russian Federation, exercise the rights of the share-holder (of the partner) of the economic companies, whose shares (participation shares in the authorized capital) are in the federal ownership;
- set up commissions for the privatization of the federal property;
- organize, in the order, laid down by the Government of the Russian Federation, the accounting of the federal property and the keeping of its register.

See the [Regulations](#) for the Stock-Taking of Federal Property and the Register-keeping of Federal Property approved by the [Decision](#) of the Government of the Russian Federation No. 696 of July 3, 1998

3. The federal state property management body shall not have the right to delegate its powers, defined by the present Federal Law, to other federal bodies, or to natural or legal persons.

4. The federal state property management body, jointly with the state power bodies of the subjects of the Russian Federation and with the local self-government bodies, shall prepare proposals on the demarcation of the federal property, the state property of the subjects of the Russian Federation, and the municipal property. Decisions on the demarcation of the state property shall be taken according to the procedure, established by the federal laws and by the other legal normative acts of the Russian Federation, adopted in conformity with them, as well as by the laws and the other legal normative acts of the subjects of the Russian Federation.

Article 8. State Power Management Bodies of the Subjects of the Russian Federation

1. The executive power bodies of the subjects of the Russian Federation, into whose authority the powers for the management and for the disposal of the state property of the subjects of the Russian Federation (hereinafter referred to as the state property management bodies of the subjects of the Russian Federation) are incorporated, shall be defined by the state power bodies of the subjects of the Russian Federation.

The state property management bodies of the subjects of the Russian Federation may be granted the powers of the territorial branches of the federal state property management body. In the given case, the state property management bodies of the subjects of the Russian Federation shall perform their activity, involved in the management and in the disposal of the federal property, in conformity with the Regulations on the state property management body of the subject of the Russian Federation, endowed with the powers of the territorial branch of the federal state property management body.

In the said Regulations, the rights and the duties of the state property management body of the subject of the Russian Federation, endowed with the powers of the territorial branch of the federal state property management body, are delineated. The said Regulations shall be approved by the Government of the Russian Federation.

2. The state property management bodies of the subjects of the Russian Federation shall have the right to exert, on the orders of the federal state property management body, the individual powers, involved in the privatization of the federal property.

The state property management bodies of the subjects of the Russian Federation shall have the right to direct their representatives to the commissions for the privatization of the federal property objects, situated on the territory of the respective subjects of the Russian Federation, which are set up by the federal state property management body.

3. In conformity with the Rules of the municipal entities, municipal property management bodies may be set up by the decision of the local self-government representative bodies.

Article 9. Buyers of the State and Municipal Property

1. During the privatization of the state and of the municipal property, the state-run and the municipal unitary enterprises, the treasury-supported enterprises, the state and the municipal institutions and the other legal persons, in whose authorized capital the share of the Russian Federation, of the subjects of the Russian Federation and of the municipal entities exceeds 25 per

cent (hereinafter referred to as the buyers), shall not have the right to be the buyers of such property.

2. The duty to prove their right to the acquisition of the state and of the municipal property shall lie with the buyers.

If subsequently it is established that at the moment of the sale of the state or of the municipal property the buyer did not possess the lawful rights to acquire it, the deal on the privatization of the state or of the municipal property shall be recognized as invalid in conformity with the [legislation](#) of the Russian Federation.

3. The list of the documents to be submitted by the buyers, and the order of submitting them shall be established by the Government of the Russian Federation. Obligatory for the buyers-legal entities shall be the submission of their properly approved constituent documents and balance accounts for the last three years of activity, as well as of the notes from the tax inspection bodies. The notes from the tax inspection bodies shall be submitted by the buyers-legal entities, if their purchase and sale deals are made for a sum of over 10,000 [minimum sizes of the remuneration of labour](#), established by the federal law, and also by the buyers-natural persons, if they effect the purchase and sale deals for a sum of over 2,000 [minimum sizes of the remuneration of labour](#), established by the federal law.

Article 10. Sellers of the Federal Property

1. The sale of the federal property shall be effected by the specialized institution and by the representatives, appointed by it (hereinafter referred to as the sellers of the federal property).

According to [Decision](#) of the Government of the Russian Federation No. 1438 of November 15, 1997 the Russian Fund of the federal Property shall be a specialized institution performing the powers of the seller of federal property

2. The specialized institution shall be, under the legislation of the Russian Federation, a legal entity with a set-apart property, assigned to it by the right of operative management.

The specialized institution may set up its own divisions in the subjects of the Russian Federation.

The activity of the specialized institution and of its divisions, engaged in the sale of the privatization objects, shall not be taxed.

3. The specialized institution shall discharge the following functions within its authority:

- on behalf of the Russian Federation, possess the privatization objects in the ownership of the Russian Federation, assigned to it by the federal state property management body or by the state property management bodies of the subjects of the Russian Federation, until the moment of their sale, while exerting, among other things, the powers of the Russian Federation as a share-holder (as a partner) in the economic companies;

- on behalf of the Russian Federation, effect the sale of the privatization objects, assigned to it by the federal state property management body or by its territorial branches;

- come out, on the ground of the orders of the Government of the Russian Federation, as a founder of the economic companies;

- keep the statistical and the book-keeper accounting records on the movement of the monetary means, derived as a result of the privatization of the federal property;

- keep, in conformity with the procedure, laid down by the legislation of the Russian Federation, an account of the shares (of the participation shares in the authorized capital), subject to privatization, of the economic companies in the ownership of the Russian Federation, as well as an account of the buyers' obligations, defined by the purchase and sale contracts on the federal property;

- accept and transfer the monetary means, derived as a result of the privatization of the federal property, in conformity with the normatives, set out in the Privatization Programme;

- implement measures, aimed at guaranteeing the transfer of the dividends and of other incomes on the shares (on the participation shares in the authorized capital) of the economic

companies, in which the specialized institution is exercising the powers of a share-holder (of a partner);

- on behalf of the Russian Federation, issue the state securities, which certify the right to the acquisition of the shares of open joint-stock companies' shares, set up in the course of privatization, which are in the federal ownership.

[Federal Law No. 109-FZ of August 5, 2000 reworded Item 4 of Article 10 of this Federal Law](#)
[See the previous text of the Item](#)

4. The shares of public joint-stock companies set up on the course of privatization which are subject to sale and which are owned by the specialized institution shall carry voting rights at the general meeting of shareholders.

5. The work schedule of the representatives, appointed by the specialized institution, shall be set down in conformity with the [Civil Code](#) of the Russian Federation, with the other federal laws and with the agreements, concluded in accordance with the privatization plans, between the specialized institution and such representatives. An obligatory condition in the said agreements shall be the representatives' undertaking to sell the privatization objects, assigned for sale, on the terms, approved by the said agreements, and at the price, which shall not be lower than the fixed starting price.

Representatives shall be selected on the competitive principle. The representatives' activity shall be financed at the expense of the deductions from the monetary means, derived as a result of the sale of the federal property.

Article 11. Sellers of the State Property of the Subjects of the Russian Federation and Sellers of the Municipal Property

1. The sale of the state property of the subjects of the Russian Federation shall be effected by the legal entities, which, in conformity with the order, defined by the state power bodies of the subjects of the Russian Federation, have been granted the powers to arrange and to effect the sale of such property (hereinafter - the sellers of the state property of the subjects of the Russian Federation).

The work schedule of the sellers of the state property of the subjects of the Russian Federation shall be set down in conformity with the [Civil Code](#) of the Russian Federation, with the other federal laws, and also with the laws and the other legal normative acts of the subjects of the Russian Federation.

2. The local self-government bodies shall appoint the sellers of the municipal property on their own.

Article 12. Means of Payment in the Privatization of the State and Municipal Property

1. In the privatization of the state and of the municipal property, recognized as a lawful means of payment shall be the monetary unit (the currency) of the Russian Federation.

2. In the cases and in accordance with the procedure, which are established by the federal law, recognized as a means of payment in the privatization of the state and of the municipal property may be the goal-oriented debt obligations of the Russian Federation.

[See Ruling of the Constitutional Court of the Russian Federation No. 174-0 of July 6, 2001](#)

Article 13. Distribution of the Monetary Means, Derived as a Result of the Privatization of the State and Municipal Property

1. The monetary means, derived as a result of the privatization of the state property, shall be distributed in conformity with the procedure and the normatives, laid down, respectively, by the Privatization Programme and by the privatization programmes of the subjects of the Russian Federation, and shall not be taxed. The monetary means, derived as a result of the privatization of the state or of the municipal property, shall be subject to a transfer, respectively, into the federal

budget, into the budgets of the subjects of the Russian Federation and into the local budgets, and shall be seen as obligatory payments.

2. The monetary means, derived as a result of the privatization of the municipal property, shall be distributed in conformity with the decisions of the local self-government representative bodies.

3. The monetary means, derived as a result of the privatization of the state and of the municipal property from the fifth to the 15th day of every month, shall be subject to the transfer, respectively, into the federal budget, into the budgets of the subjects of the Russian Federation and into the local budgets not later than the 25th day of the corresponding month. The monetary means, derived as a result of the privatization of the state and of the municipal property from the 16th to the 31st day of every month, shall be subject to the transfer, respectively, into the federal budget, into the budgets of the subjects of the Russian Federation and into the local budgets, not later than the 10th day of the month, next to the corresponding one.

4. In case of an untimely transfer of the monetary means, derived as a result of the privatization of the state property, the federal executive power body, within whose authority the coordination and the regulation of the activity, involved in collecting the taxes, is placed, its territorial branches and the respective state power bodies of the subjects of the Russian Federation shall have the right to write off, in an undisputable order, the said means off the accounts, respectively, of the sellers of the federal property and of the sellers of the state property of the subjects of the Russian Federation.

5. For an untimely transfer of the monetary means, derived as a result of the privatization of the state and of the municipal property, respectively, into the federal budget, into the budgets of the subjects of the Russian Federation and into the local budgets, the sellers of the federal property, the sellers of the state property of the subjects of the Russian Federation and the sellers of the municipal property (hereinafter referred to as the property sellers), shall pay a penalty for every day of delay in the amount of one-three hundredths of the refinancing interest rate of the Central Bank of the Russian Federation, operating on the date of the property sellers' execution of their monetary obligations to the respective budgets.

Chapter II. Procedure and Methods for Carrying Out the Privatization of the State and Municipal Property

Article 14. Initiative in Carrying Out the Privatization of the State and Municipal Property

1. Initiative in carrying out the privatization of the state and of the municipal property may come from the Government of the Russian Federation, from the federal state property management body, from the respective federal bodies, from the state power bodies of the subjects of the Russian Federation, from the local self-government bodies, and also from natural and legal persons.

2. Applications for the privatization of the state property shall be filed, respectively, with the federal state property management body, with its territorial branches and with the state property management bodies of the subjects of the Russian Federation (hereinafter referred to as the property management bodies). The form for the application shall be established by the federal state property management body.

Article 15. Procedure for the Decision-Making on the Privatization of the State Property

1. The applications for the privatization of the state property shall be registered with the respective property management bodies on the day of their filing.

2. If, in conformity with the Privatization Programme and with the privatization programmes of the subjects of the Russian Federation, the privatization object may be privatized by the decision of, respectively, the Government of the Russian Federation or the state power bodies of the subjects of the Russian Federation, the respective property management bodies shall submit proposals to the Government of the Russian Federation or to the state power bodies of the subjects of the

Russian Federation on the privatization of the said object, while substantiating the feasibility of its privatization, suggesting the method and the term for the privatization of such object, and indicating the need to assign the shares of the open joint-stock company into the federal ownership, or into the state ownership of the subjects of the Russian Federation, or to use the special right (the golden share).

3. If, in conformity with the Privatization Programme, the privatization object may be privatized by the decision of the federal state property management body, agreed with the respective federal bodies, the decision on the privatization of the said object shall be adopted by the federal state property management body within a three-month term from the date of registration of the application for the privatization of the state property.

The procedure for the federal state property management body to examine the application for the privatization of the state property and to agree the decision on its privatization with the respective federal bodies, shall be laid down by the Government of the Russian Federation.

4. If, in conformity with the Privatization Programme and with the privatization programmes of the subjects of the Russian Federation, the privatization object may be privatized without the decision of the Government of the Russian Federation, of the state power bodies of the subjects of the Russian Federation or of the federal state property management body, the decision on the privatization of such object or on the refusal in its privatization shall be adopted by the respective property management bodies within a month's term from the day of registration of the application for the privatization of the said state property. The decision on the privatization of such object or on the refusal in its privatization shall be forwarded to the applicant in written form within a three-day term from the moment of adopting the said decision.

5. The decision on the privatization of the state property, mentioned in [Items 2](#) and [3](#) of the present Article, shall be taken by the Government of the Russian Federation, by the state power bodies of the subjects of the Russian Federation or by the federal state property management body, with account for the importance of the privatization object for the country's defence and for the state security, and for the economic interests of the Russian Federation and of the subjects of the Russian Federation, for the sectoral specifics of the privatization object, for the decisions of the general meetings of the workers of the state-run unitary enterprises, being transformed into open joint-stock companies, for the federal anti-monopoly body and for the respective federal bodies, and also for the opinion of the state power bodies of the subjects of the Russian Federation and of the local self-government bodies, if the said enterprises are of the town-development nature, or if they exert an essential impact on the socio-economic situation in the territory.

6. When examining applications for the privatization of the state property, the Government of the Russian Federation, the state power bodies of the subjects of the Russian Federation and the respective property management bodies may pass a decision either on the refusal in the privatization of the state property, or on its privatization.

7. The refusal in the privatization of the state property shall be possible, if:

- a prohibition is imposed on the privatization of the state property, including if the said property is exempted from the civil turnover or is restricted in the civil turnover;
- the property, indicated in the application for the privatization of the state property, is not in the state ownership;
- the property, referred to in the application for the privatization of the state property, is subject to alienation in conformity with other federal laws.

If a decision is made on the refusal in the privatization of the state property, to the applicant shall be forwarded a written notice with the substantiation of such decision.

8. If a decision is adopted on the privatization of the state property, the Government of the Russian Federation and the state power bodies of the subjects of the Russian Federation, respectively, may take a decision on the assignment of the shares of an open joint-stock company, set up in the course of privatization, into the federal ownership or into the state ownership of the subjects of the Russian Federation.

In conformity with the Privatization Programme and with the privatization programmes of the subjects of the Russian Federation, the Government of the Russian Federation and the state power

bodies of the subjects of the Russian Federation, respectively, may adopt a decision on the privatization of the state property with the use of the special right (of the golden share).

9. If a decision is passed on the privatization of the state property, the respective property management bodies shall set up a privatization commission and shall fix a term for drafting the privatization plan, which shall not exceed six months from the date of adopting the decision on the privatization of such property.

The term for drafting the privatization plan may be extended by the decision on the respective property management bodies for no more than one year.

10. Into the composition of the privatization commission shall be included representatives of the respective property management bodies and of the financial bodies, of the respective federal bodies and of the state power bodies of the subjects of the Russian Federation, and, if necessary, representatives of the respective territorial branches of the federal anti-monopoly body, as well as other persons, in conformity with the present Federal Law.

The privatization commission shall have the right to draw on the services of experts, as well as of the auditing, consulting, estimate-making and other organizations.

11. In the privatization plan shall be defined the method for the sale of the privatization object, the term and the conditions of its sale, as well as the starting price of the privatization object. The privatization plan shall be approved by the respective property management bodies. The standard form for the privatization plan shall be approved by the Government of the Russian Federation.

Article 16. Methods for the Privatization of the State and Municipal Property

1. The following privatization methods shall be used in the privatization of the state and of the municipal property:

- the sale of the state or of the municipal property at an auction, including the sale of the shares of open joint-stock companies, created in the course of privatization, at a specialized auction;

- the sale of the state or of the municipal property at a commercial tender with the investment and (or) the social terms;

- the sale of the shares of open joint-stock companies, set up in the course of privatization, to their own workers;

- the redemption of the rented state or municipal property; the transformation of the state and the municipal enterprises into the open joint-stock companies, 100 per cent of whose shares are in the state or in the municipal ownership;

- putting the state or the municipal property by way of contribution into the authorized capitals of economic companies;

- the alienation of the shares of open joint-stock companies, set up in the course of privatization, which are in the state or in the municipal ownership, in favour of the owners of the state or of the municipal securities, certifying the right to acquire such shares.

2. The sale of an enterprise as a property complex, or of the shares of an open joint-stock company, established in the course of privatization, which comprise over 50 per cent of the authorized capital of the said company, shall be effected exclusively at a commercial tender with the investment and (or) the social terms in conformity with [Article 21](#) of the present Federal Law.

3. The sale (transfer) to the creditors of the right of ownership to the state or to the municipal property by way of an offset of the internal and external debt obligations of the Russian Federation, of the subjects of the Russian Federation or of the municipal entities, as well as the exchange of the state or of the municipal property for another kind of property (the monetary means, commodities and services) shall be inadmissible, with the exception of the case, described in [Article 24](#) of the present Federal Law.

See [Ruling of the Constitutional Court of the Russian Federation No. 174-0 of July 6, 2001](#)

4. When determining the method for the privatization of the state or of the municipal property, the privatization commission shall take into account:

- the proposals, contained in the applications for the privatization of the state or of the municipal property, filed with the respective property management bodies;
- the sectoral specifics of the privatization objects and their socio-economic significance for the territory;
- the market cost of the privatization objects.

5. The decision on selecting the method for the privatization of the state property shall be adopted, respectively, by the Government of the Russian Federation, by the state power bodies of the subjects of the Russian Federation, and by the respective property management bodies, in conformity with the procedure, stipulated in [Article 15](#) of the present Federal Law.

Article 17. Procedure for Determining the Starting Price of the Privatization Objects

1. The procedure for determining the starting price of the privatization objects shall be established by the Privatization Programme.

2. The sellers of the property shall have the right, with account for the current market situation, to take a decision on changing the starting price of the privatization objects. The starting price of the privatization objects shall not be cut down by the property sellers by more than 10 per cent without coordination with the respective property management bodies, which have approved the privatization plans for the said objects.

Article 18. Information on the Privatization of the State and Municipal Property

1. Information on the privatization of the state and of the municipal property shall be published by the property sellers in the official information news letters and in the other mass media, not later than 45 days prior to the date, fixed for the sale of the said property. In the privatization of the municipal property, the local self-government bodies may also fix a shorter term for the publication of such information, but it shall not be less than one month.

2. The list of the data, subject to an obligatory publication in the form of an information statement on the sale of the privatization objects, shall be laid down by the Government of the Russian Federation.

3. In the sale of the shares of an open joint-stock company, set up in the course of privatization, the following data shall be by all means included into the information statement:

- the area of the land plot, on which the realty of such company is situated;
- the characteristics of such company's realty and the existence of liabilities;
- the restrictions, imposed on the resale of such company's shares;
- the obligations of such company, including to the federal budget, to the budgets of the subjects of the Russian Federation, to the local budgets and to the state extra-budgetary funds;
- the basic range of such company's products (works, services);
- the number of such company's workers;
- the terms for the sale of such company's shares;
- the restrictions, imposed on the participation of the non-residents of the Russian Federation, and also of the residents of the Russian Federation, who have foreign natural and legal persons among their founders (partners) and affiliated persons;
- the procedure for acquainting the buyers with other information.

In conformity with the presentation of the federal anti-monopoly body and of its territorial branches, into the information statement shall be included the data on the share of the products (works, services) of the open joint-stock company, which dominates on the respective commodity market.

The buyers shall have the right to get acquainted with other information on the open joint-stock company in the place, indicated in the information statement.

The form for presenting additional information on the open joint-stock company and the list thereof, shall be established by the federal state property management body.

4. Information on the results of the privatization deals in the state or in the municipal property

shall be subject to publication within one month from the date of performing the said deals. The procedure for publishing information on the results of the privatization deals in the state property shall be defined by the Government of the Russian Federation.

Article 19. Procedure for the Payment for the State and Municipal Property in Its Privatization

1. The payment for the state property, acquired by the buyers, may be made in a lump sum or by instalments. The procedure for granting the right to make the payment for the state property by instalments shall be established by the Privatization Programme and by the privatization programmes of the subjects of the Russian Federation, respectively.

2. The procedure for making the payment for the municipal property in its privatization shall be laid down by the local self-government bodies.

Article 20. Transformation of the State-Run and Municipal Unitary Enterprises into the Open Joint-Stock Companies, 100 per cent of Whose Shares Are in the State or in the Municipal Ownership

1. The state and the municipal unitary enterprises may be transformed into the open joint-stock companies, 100 per cent of whose shares are in the state or in the municipal ownership.

2. Preparing the state and the municipal unitary enterprises for the transformation into the open joint-stock companies, 100 per cent of whose shares are in the state or in the municipal ownership, comes down to making an inventory of the said enterprises' property and to carrying out an audit of the financial and economic activity of the state unitary enterprises, the balance cost of whose fixed assets on the date of the decision-making on their transformation into open joint-stock companies exceeds five million of the [minimum sizes of the remuneration of labour](#), established by the federal law, and also, if necessary, to the reorganization of the state and the municipal unitary enterprises, including setting apart their divisions as legal entities.

3. When transforming the state and the municipal unitary enterprises into the open joint-stock companies, 100 per cent of whose shares are in the state or in the municipal ownership, the respective property management committees shall set up a privatization commission and shall fix a term for drafting the privatization plan. The said term shall not exceed six months as from the date of filing an application for the privatization of the state property.

The term for drafting the privatization plan may be extended by the decision of the respective property management bodies, but for no more than one year.

The privatization commission shall be obliged to examine the draft privatization plan, which has been prepared by representatives of the workers of the state or of the municipal unitary enterprise.

4. Into the composition of the privatization commission shall be included representatives of the respective property management bodies and of the financial bodies, of the respective federal bodies and of the state power bodies of the subjects of the Russian Federation. When transforming a state unitary enterprise into the open joint-stock company, 100 per cent of whose shares are in the state or in the municipal ownership, the local self-government body by the place of the said enterprise's location, its workers and the territorial branch of the federal anti-monopoly body shall have the right to send their representatives for being included into the said commission's composition.

The privatization commission shall have the right to draw on the services of experts, and also of the audit, consulting, estimate-making and other kind of organizations.

5. In the privatization plan shall be defined the method and the term, fixed for the transformation of the state or of the municipal unitary enterprise into the open joint-stock company, 100 per cent of whose shares are in the state or in the municipal ownership, the size of the open joint-stock company's authorized capital, the privileges, granted to its workers, the categories (types) of the shares of the open joint-stock company, the nominal cost of the said shares, and the methods and the term of their sale.

6. The privatization commission shall examine the privatization plan and shall forward it to the

general meeting of workers of the state or of the municipal unitary enterprise for coordination.

If the general meeting of workers of the state or of the municipal unitary enterprise has not examined the privatization plan within a month's term from the date of its receipt, the privatization plan shall be regarded as agreed.

The privatization plan shall be approved by the respective property management bodies upon the presentation of the privatization commission.

7. If the general meeting of workers of the state or of the municipal unitary enterprise has failed to agree the privatization plan, the privatization commission shall be obliged to submit another variant of the privatization plan. If the general meeting of workers of the state or of the municipal unitary enterprise has once again failed to agree the privatization plan, the decision on its approval shall be taken, respectively, by the Government of the Russian Federation, by the state power bodies of the subjects of the Russian Federation and by the representative bodies of the local self-government.

8. In the privatization of the state and of the municipal property, whose kinds have been established, respectively, by the Privatization Programme, by the privatization programmes of the subjects of the Russian Federation and by the decisions of the local self-government representative bodies, and if there is the corresponding decision of the general meeting of workers of the state or of the municipal unitary enterprise, such property shall be privatized by way of renting with the right of its redemption by the workers of the said enterprise at the market price. The procedure and the terms for implementing the privatization by way of renting with the right of redemption of the property of the state unitary enterprise by its workers at the market price, shall be defined by the Government of the Russian Federation.

9. Transformation into open joint-stock companies of the state and of the municipal unitary enterprises, included into the State Register of Associations and Enterprises, Dominating on the Commodity Markets, shall be effected in agreement with the federal anti-monopoly body.

10. After the work of the privatization commission is completed, the respective property management bodies shall reorganize or liquidate the state or the municipal unitary enterprise, shall set up an open joint-stock company, approve its Rules, effect, in conformity with the established order, the state registration of the open joint-stock company, and form its management bodies.

11. In the Rules of an open joint-stock company, created as a result of the transformation of the state or of the municipal unitary enterprise into the open joint-stock company, 100 per cent of whose shares are in the state or in the municipal ownership, account shall be taken of the demands of the [Federal Law](#) on the Joint-Stock Companies, and of the specifics, pointed out by the present Federal Law.

12. When a state or a municipal unitary enterprise is transformed into the open joint-stock company, 100 per cent of whose shares are in the state or in the municipal ownership, the state or the municipal unitary enterprise, as from the date of adopting the decision on its transformation into an open joint-stock company and until the moment of its state registration, shall not have the right, without coordination with the respective property management bodies, to effect any deals in the movable property, whose cost exceeds 10 per cent of the balance cost of the state or of the municipal unitary enterprise assets on the date of the approval of its last balance report.

The performance of realty deals and the dismissal of over 10 per cent of the work force of the said enterprise in the course of six months, preceding the date of adopting the decision on the transformation of a state or of a municipal unitary enterprise into the open joint-stock company, 100 per cent of whose shares are in the state or in the municipal ownership, and until the moment of such company's state registration, shall be inadmissible.

Article 21. Sale of the State or Municipal Property at a Commercial Tender with the Investment and (or) Social Terms

1. The state or the municipal property shall be sold at a commercial tender with the investment and (or) the social terms (hereinafter referred to as a commercial tender), if the buyer shall be obliged to fulfil certain investment and (or) social terms with respect to the privatization object.

The right to acquire the privatization object shall belong to that buyer, who has offered, in the

course of the commercial tender, the highest price for the said object, under the condition that he also satisfies the investment and (or) the social terms.

The procedure for holding commercial tenders shall be defined by the Government of the Russian Federation.

[Decision of the Government of the Russian Federation No. 1311 of November 9, 1998 approved the Regulations on the Sale of State and Municipal Assets by Tender on Investment and/or Social Terms](#)

2. The right of ownership to the state or to the municipal property, which is being privatized at a commercial tender, shall pass to the winner of such tender after he satisfies the investment and (or) the social terms with respect to the privatization object. The winner of the commercial tender shall not have the right to alienate it or to dispose of it in any other way until the right of ownership to the privatization object is passed to him.

3. If the object of privatization are the shares of an open joint-stock company, until the right of ownership to the said shares is passed over to him, the winner of the commercial tender shall vote by them at his own discretion, with the exception of the voting on the following issues:

- the introduction of amendments and addenda into the open joint-stock company's constituent documents;

- the mortgage, giving in rent, or alienation of the open joint-stock company's property, if the cost of such property exceeds 10 per cent of the open joint-stock company's authorized capital; the mortgage and the alienation of the open joint-stock company's immovable property;

- the receipt of a credit in the amount of over 10 per cent of the cost of the open joint-stock company's net assets;

- the institution of economic companies (partnerships);

- the issue of securities, not convertible into the open joint-stock company's shares;

- the approval of the annual report, of the book-keeper balance, of the profits and losses accounts of the open joint-stock company, as well as the distribution of its profits and losses.

The commercial tender winner shall vote on the said issues after agreeing such voting with the respective property management bodies in written form.

The commercial tender winner shall not have the right to vote for the reorganization or for the liquidation of the open joint-stock company.

The open joint-stock company, set up in the course of privatization, with respect to which the investment and (or) the social terms have not been fully satisfied, shall not have the right to take decisions on changing the authorized capital, or on launching an issue of additional shares and of other securities, convertible into the said company's shares.

The procedure for the commercial tender winner to exert the right of possession and the right of the use of the privatization object, with the exception of the case, when the object of privatization are the shares of the open joint-stock company, shall be defined by the Government of the Russian Federation.

4. In case of the state or of the municipal property being sold at a commercial tender, the social terms may be established, if the privatization object is an enterprise as a property complex,, or if the object of privatization are the shares of the open joint-stock company, comprising over 50 per cent of its authorized capital.

The said social terms may envisage with respect to the privatization object:

- preservation of a certain number of jobs or creation of more jobs; - retraining or raising the workers' qualifications;

- preservation of the existing system for the workers' labour and health protection;

- restrictions, imposed on changing the profile of activity of the objects, intended for rendering the social and cultural, the municipal or the transportation services to the population, or on terminating their utilization;

- implementation of protective measures for the natural environment and for the citizens' health.

The said social terms are exhaustive and shall not be subject to a change.

The said social terms of the commercial tender shall be economically substantiated; they shall have a value expression and a fixed date for fulfilment; the procedure for the winner of the commercial tender to confirm their satisfaction shall also be established.

The social terms of the commercial tender shall be agreed with the respective federal bodies, with the state power bodies of the subjects of the Russian Federation, with the local self-government bodies, and also with workers of the open joint-stock company, whose shares are the object of privatization.

5. When selling the state or the municipal property at a commercial tender, the investment terms may envisage the implementation with respect to the privatization object of measures for its reconstruction, for the acquisition of certain kinds of equipment, for its modernization and for the expansion of its production.

The said investment terms of the commercial tender shall be substantiated economically; they shall have a value expression, the date, fixed for their fulfilment; the procedure for the commercial tender winner to confirm their satisfaction shall also be indicated.

The investment terms of the commercial tender shall be agreed with the respective federal bodies, with the state power bodies of the subjects of the Russian Federation, and with the local self-government bodies.

When the privatization objects are sold at a commercial tender, put forward as the investment terms may be an undertaking of the commercial tender winner to implement the established measures of tariff and non-tariff protectionism with respect to Russian raw and other materials and semi-finished products, if their quality characteristics correspond to their foreign analogues and if the prices of the said raw and other materials and semi-finished products are similar to the prices of their foreign analogues, or are lower than such prices.

As an investment condition of a commercial tender may also be seen the commercial tender winner's undertaking to make good, within an established term, the indebtedness to the federal budget, to the budgets of the subjects of the Russian Federation and to the local budgets, as well as to the state extra-budgetary funds.

6. The investment and (or) the social terms of the commercial tender, the volume, the fulfilment procedure, the measures of control over their fulfilment and the procedure for the winner of the commercial tender to confirm the satisfaction of such terms, shall be defined by the respective property management bodies when approving the privatization plan, in agreement with the respective federal bodies, with the state power bodies of the subjects of the Russian Federation and with the local self-government bodies.

All investment and social terms of the commercial tender shall be fulfilled at the expense of the monetary means, supplied by the commercial tender winner gratuitously and without return, under the contract, which he has concluded with the respective property seller, on the order of the commercial tender winner's satisfaction of the investment and (or) of the social terms. If the privatization object are the shares of an open joint-stock company, the said company, simultaneously with the contract on the procedure for the commercial tender winner's satisfaction of the investment and (or) of the social terms, shall also sign with the respective property seller an agreement on the use of the investment means. The signing of the said agreements shall be obligatory for the commercial tender winner and for the open joint-stock company, whose shares are the object of privatization. The introduction of amendments and addenda into the investment and (or) into the social conditions of the commercial tender, and into its winner's obligations after the conclusion of the said agreements, shall be inadmissible.

The forms and the terms of the said agreements shall be laid down by the Government of the Russian Federation.

Decision of the Constitutional Court of the Russian Federation No. 12-P of July 25, 2001 established that the provision of Item 7 of Article 21 of this Federal Law cannot serve as grounds for an exaction of the property from the winner in a commercial tender and for its return without acceptance to the public owner and does not exclude court protection of the parties' rights in the

course of privatisation, including with the use of the methods and means of protection of the participants in the contracts stipulated by the civil legislation, and as such does not contradict the Constitution of the Russian Federation

7. If the commercial tender winner has failed to fulfil the investment and (or) the social terms, or if he has fulfilled them improperly, including if he has violated the interim and the final dates, fixed for the fulfilment of such terms, and their volumes, the privatization object, acquired by the commercial tender winner, shall be subject to a gratuitous alienation, respectively, into the state or into the municipal ownership, while the bodies and the persons, indicated in [Item 1, Article 29](#) of the present Federal Law, shall be obliged to file claims with the court (to institute court cases) for cancelling the deals on the privatization of the state or of the municipal property, for covering the losses and for the other ensuing consequences, in conformity with the legislation of the Russian Federation and with the purchase and sale contracts on the state or on the municipal property.

8. The investments in monetary or in another form, made by the commercial tender winner to satisfy its investment and (or) social terms, shall not be subject to taxation.

Article 22. Sale of the State or Municipal Property at an Auction

1. The state or the municipal property shall be sold at an auction, if its buyers shall not satisfy any terms with respect to the privatization objects. The right of ownership to the privatization object shall pass to the buyer, who has offered, in the course of the trading, the highest price for such object.

2. The procedure for holding an auction, the terms for the buyers' participation in it and the way, in which the auction winners are identified, as well as the procedure for making settlements for the acquired state or municipal property, shall be regulated by the provisions, which shall be approved by the Government of the Russian Federation.

3. The sale of the shares of an open joint-stock company, set up in the course of privatization, may take place at a specialized auction.

The specialized auction shall be held as an open trading, at which the winners shall obtain the shares of an open joint-stock company at a uniform price.

The procedure for holding a specialized auction, the terms, on which the buyers may take part in it, the form of their filing applications for taking part in the specialized auction, the way of identifying the winners, and the procedure for effecting settlements for the acquired shares of an open joint-stock company, shall be established by the provisions, which shall be approved by the Government of the Russian Federation.

See the [Regulation on Auction Sale of State or Municipal Property approved by Decision of the Government of the Russian Federation No. 356 of March 27, 1998](#)

Article 23. Putting the State or Municipal Property as a Contribution into the Authorized Capitals of Economic Companies

The putting of the state or of the municipal property as a contribution into the authorized capitals of economic companies shall be effected by the decision of, respectively, the Government of the Russian Federation, the state power bodies of the subjects of the Russian Federation and the local self-government bodies, in conformity with the procedure, laid down by the Privatization Programme and by the privatization programmes of the subjects of the Russian Federation.

Article 24. Alienation of the Shares of Open Joint-Stock Companies, Which Are in the State or in the Municipal Ownership, to the Owners of the Securities, Certifying the Right to Acquire Such Shares

1. Decisions on the issue of the securities, certifying the right to acquire the shares of the open joint-stock companies, created in the course of privatization, which are in the state or in the municipal ownership, respectively, of the Russian Federation, of the subjects of the Russian Federation, or of the municipal entities, shall be taken, respectively, by the Government of the Russian Federation, by the state power bodies of the subjects of the Russian Federation, and by

the local self-government bodies. Such decisions shall determine the order for the exercise of such right by the owners of the securities of, respectively, the Russian Federation, the subjects of the Russian Federation and the municipal entities, the number of the shares of the open joint-stock companies, the category (type) of such shares, and also the names of the open joint-stock companies - the issuers of such shares.

2. The procedure for holding tenders for the placement of the securities, indicated in Item 1 of the present Article, and the restrictions on the circulation of such securities shall be established by the Government of the Russian Federation.

Article 25. Sale of the Shares of Open Joint-Stock Companies, Set Up in the Course of Privatization, to Their Own Workers

1. The shares of the open joint-stock companies, set up in the course of privatization, may be sold to the workers of such companies.

The order for the sale of the open joint-stock companies' shares to their own workers shall be established by the federal law.

According to [Order](#) of the Ministry of the State Property of the Russian Federation No. 352-r of March 05, 1999 the value of the shares being sold to the workers of an enterprise being privatized and to equivalent persons, and constituting in the aggregate more than 10 per cent of all the ordinary shares of a public joint-stock company created in the process of privatization shall be determined in accordance with the legislation on privatization and the [Federal Law](#) No. 135-FZ of July 29, 1998 on the Evaluative Activity in the Russian Federation

2. The number of the shares of an open joint-stock company, created in the course of privatization, which may be sold to its own workers, the category (type) of such shares, the procedure for fixing their price and the way and the term of the payment for such shares, shall be established by the Privatization Programme.

Article 26. Redemption of the State or Municipal Property, Given in Rent

1. The property of the state or of the municipal unitary enterprise, given in rent in conformity with the contract of rent with the right of redemption of the property of the state-run or of the municipal unitary enterprise, which was signed before the [Law](#) of the Russian Federation on the Privatization of the State-Run and Municipal Enterprises in the Russian Federation [came into force](#), shall be privatized on the ground of the application, filed by the lease-holder of such property, in the following ways:

- in accordance with the contract of rent with the right of redemption, if the amount of the redemption, the term and the way of its payment, as well as the other terms have been established by the said contract;

- by the transformation of the state or of the municipal unitary enterprise into an open joint-stock company, with granting to the lease-holder of such property the right to the first priority acquisition of the said company's shares, which are, respectively, in the ownership of the Russian Federation, of the subjects of the Russian Federation, or of the municipal entities.

The procedure for the lease-holder of such property to exercise the right to the first priority acquisition of the shares of the open joint-stock companies, created by the transformation of the state or of the municipal unitary enterprises, and the way of determining the cost of the said shares, shall be established, respectively, by the Privatization Programme or by the privatization programmes of the subjects of the Russian Federation. The amount of the redemption, the term and the ways of its payment by the lease-holder of such property, as well as the terms for the first priority acquisition of the said shares, shall be established by the Regulations on the Procedure for the Privatization of the State Property, Given in Rent, approved by the Government of the Russian Federation.

2. In other cases, the lease-holder of the state or of the municipal unitary enterprise, recognized as the buyer in conformity with [Article 9](#) of the present Federal Law, may acquire such property according to the procedure, laid down by the present Federal Law, and also, respectively,

by the Privatization Programme and by the privatization programmes of the subjects of the Russian Federation.

3. The procedure for determining the cost of the state property, being redeemed by the leaseholder, shall be defined, respectively, by the Privatization Programme and by the privatization programmes of the subjects of the Russian Federation.

Article 27. Social Guarantees for the Workers of Open Joint-Stock Companies, Created by Way of Transformation of the State and Municipal Unitary Enterprises

1. The open joint-stock companies, set up by way of the transformation of the state and of the municipal unitary enterprises, shall answer by the obligations, contained in the collective agreements, which had operated until the state and the municipal unitary enterprises were transformed into open joint-stock companies.

2. On the expiry of three months from the moment of the state registration of an open joint-stock company, its workers (the workers' representatives), or the executive body of the said company, may propose that the provisions of the currently operating collective agreement be revised, or that a new collective agreement be concluded.

3. The dismissal of the workers of the open joint-stock companies, created by the transformation of unitary enterprises, and the job placement of the said workers shall be regulated by the legislation of the Russian Federation on labour, by the laws and by the other legal normative acts of the subjects of the Russian Federation.

Chapter III. Final Provisions

Article 28. Formalization of the Privatization Deals in the State or Municipal Property

1. When privatizing the state or the municipal property, a purchase and sale contract shall be concluded between the property seller and the buyer, in conformity with the [Civil Code](#) of the Russian Federation and with the present Federal Law.

2. Obligatory terms in the purchase and sale contract on the state or on the municipal property shall be:

- information on the property seller and on the buyer; the name of the privatization object; the place of its location; the composition and the cost of the state or of the municipal property; the terms of renting (of the use) of the land plot; the number of the open joint-stock company's shares; their category (type) and cost; the procedure for the transfer of the state or of the municipal property into the buyer's ownership; the form and the term, fixed for the payment for the acquired property; the buyer's obligations, involved in its use; the investment and (or) the social terms, in conformity with which the buyer has acquired the said property; the procedure for the buyer's confirmation of his fulfillment of such terms;

- the ways to provide for the investment and (or) for the social terms, including the guarantees for their fulfilment;

- the order of the buyer's exercise of the right of possession and of the right of use of the said property until the moment, when the right of the ownership to such property is passed to him;

- the other conditions, established by the parties to such contract by mutual agreement.

All the buyer's obligations with respect to the privatization object shall have a fixed term of fulfilment, as well as an estimated cost, determined in conformity with the legislation of the Russian Federation.

3. The right of ownership to the state or to the municipal property shall pass, respectively, from the Russian Federation, from the subjects of the Russian Federation and from the municipal entities to its buyers, in accordance with the procedure, laid down by the legislation of the Russian Federation, by the present Federal Law and by the purchase and sale contract on the state or on the municipal property.

Article 29. Invalidity of Privatization Deals on the State or Municipal Property

1. If the privatization of the state or of the municipal property was accompanied with a violation of the provisions of the present Federal Law, of the other federal laws and of the other legal normative acts of the Russian Federation, adopted in conformity with them, and also of the laws and the other legal normative acts of the subjects of the Russian Federation, as well as of the terms of the purchase and sale contracts on the state or on the municipal property, the Government of the Russian Federation, the state power bodies of the subjects of the Russian Federation, the local self-government bodies and the respective property management bodies, the property sellers, the buyers and the prosecutor bodies of the Russian Federation shall have the right to file claims with the court (to institute court cases) for cancelling the privatization deals in the state or in the municipal property, for launching measures of responsibility and for recognizing the said deals as invalid, and for the application of the ensuing consequences of the invalidation of a void deal, for the elimination of the violations of the legislation of the Russian Federation on the privatization and for taking the guilty persons to answer.

2. Seen as the ground for recognizing the privatization deals in the state or in the municipal property as invalid shall be:

- violation of the provisions of the present Federal Law and of the other legal normative acts, laying down the procedure for the privatization of the state or of the municipal property;
- acquisition of the state or of the municipal property by the person, who has no right to this;
- making use of illegal means of payment in the privatization of the state or of the municipal property;
- existence of a conspiracy between the property seller and the buyer, including on cutting down the price of such property;
- granting privileges and advantages to a certain buyer as compared with the other buyers;
- other grounds, envisaged by the legislation of the Russian Federation.

3. The purchase and sale contracts on the state and on the municipal property, not containing the estimated cost thereof, shall be recognized as void right from the moment of their conclusion and shall not entail any legal consequences.

4. The disputes on recognizing the privatization deals in the state or in the municipal property as invalid shall be examined in court or in the arbitration court, in accordance with the procedure and within the term, envisaged by the procedural legislation of the Russian Federation.

5. The privatization of the state or of the municipal property in the ways, different from those established by the present Federal Law, shall be inadmissible, while the respective privatization deals in the state or in the municipal property shall be recognized as void right from the moment of their conclusion and shall not entail any legal consequences.

Article 30. Responsibility for the Violation of the Legislation of the Russian Federation on the Privatization

1. For the violation of the present Federal Law, of the other federal laws and of the other legal normative acts of the Russian Federation on the privatization, adopted in conformity with them, the natural and the legal persons shall be held responsible in the cases and in the order, stipulated by the civil, the administrative and the criminal legislation of the Russian Federation.

The losses, caused as a result of performing illegal actions, involved in the violation of the legislation of the Russian Federation on the privatization, shall be subject to recompense in conformity with the procedure, established by the civil legislation of the Russian Federation.

2. The respective property management bodies and the property sellers shall have the right, with respect to the issues, placed within their authority, respectively, by the legislation of the Russian Federation, by the legislation of the subjects of the Russian Federation and by the decisions of the representative local self-government bodies:

- to come out in the court of justice and in the arbitration court on behalf of the Russian Federation, of the subjects of the Russian Federation, or of the municipal entities;
- to direct materials for resolving the questions, involved in the institution of criminal cases, to the prosecutor bodies.

The respective property management bodies and the property sellers shall be relieved of the

payment of the state duty, when turning to the court of justice or to the arbitration court on the issues, placed within their authority.

Article 31. Procedure for the Present Federal Law Coming into Force

1. All the circumstances, which have arisen by the purchase and sale contracts on the state or on the municipal property prior before the present Federal Law came into force, shall be subject to restoration in the property sellers' accounting, in conformity with the procedure, established by the legislation of the Russian Federation, in the course of twelve months from the date of the present Federal Law coming into force.

2. Privatization deals in the state or in the municipal property, signed before the date, when the present Federal Law came into force, which do not contain an estimated cost of the said property, shall be recognized as void right from the moment of their conclusion and shall not entail any legal consequences.

3. In connection with the adoption of the present Federal Law, it shall be recognized that all the golden shares of open joint-stock companies, created in the course of privatization, shall be interpreted as the special right, stipulated by [Article 5](#) of the present Federal Law, of the Russian Federation, of the subjects of the Russian Federation or of the municipal entities to participation in the management of the said companies (the right of the golden share).

4. The legal normative acts of the President of the Russian Federation and the legal normative acts of the Government of the Russian Federation on the issues which, according to the present Federal Law, are regulated by the other federal laws, shall operate until the respective federal laws are put in force, in the part, not contradicting the legislation of the Russian Federation.

5. In connection with the adoption of the present Federal Law, recognized as invalidated shall be:

- the [Law](#) of the Russian Federation on the Privatization of the State-Run and Municipal Enterprises in the Russian Federation (Gazette of the Congress of People's Deputies of the RSFSR and of the Supreme Soviet of the RSFSR, No. 27, 1991, item 927);

- the Law of the Russian Federation on the Introduction of Amendments and Addenda into the Law of the RSFSR on the Privatization of the State-Run and Municipal Enterprises in the RSFSR (Gazette of the Congress of People's Deputies of the Russian Federation and of the Supreme Soviet of the Russian Federation, No. 28, 1992, item 1614);

- Article 17 of the Law of the Russian Federation on the Introduction of Amendments and Addenda into the Civil Code of the RSFSR, the Civil Procedural Code of the RSFSR, the Regulations of the Supreme Soviet of the RSFSR, the laws of the RSFSR on the Jewish Autonomous Region, on the Election of the People's Deputies of the RSFSR, on the Additional Powers of the Local Soviets of People's Deputies in the Setting of the Transition to Market Relations, on the Peasant (Farmer's) Economy, on the Land Reform, on the Banks and the Banking Activity in the RSFSR, on the Central Bank of the RSFSR (the Bank of Russia), on the Ownership in the RSFSR, on the Enterprises and the Business Activity, on the State Tax Service of the RSFSR, on the Competition and on the Restriction of the Monopoly Activity on Commodity Markets, on the Priority Provision of the Agroindustrial Complex with the Material and Technical Resources, on the Local Self-Government in the RSFSR, on the Privatization of the State and Municipal Enterprises in the RSFSR, on the Principles of the Budgetary System and of the Budgetary Process in the RSFSR, and on the State Duty; the laws of the Russian Federation on the Territory and the Regional Soviet of the People's Deputies and on the Territory and the Regional Administration, and also on the Commodity Exchanges and on the Exchange Trading (Gazette of the Congress of the People's Deputies of the Russian Federation and of the Supreme Soviet of the Russian Federation, No. 34, 1992, item 1966);

- [Item 1, Article 1](#) of the Federal Law on the Introduction of Amendments and Addenda into the Individual Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law on the Competition and on the Restriction of the Monopoly Activity on Commodity Markets (Collected Legislation of the Russian Federation, No. 12, 1997, item 12, item 1381).

6. To propose to the President of the Russian Federation and to the Government of the

Russian Federation that they bring their legal normative acts into correspondence with the present Federal Law.

7. The present Federal Law shall come into force as from the date of its official publication.

President of the Russian Federation
Moscow, the Kremlin

B. Yeltsin