
Adopted by the State Duma on June 25, 1999
Approved by the Federation Council on July 2, 1999

The present Federal Law provides the basic guarantees of the rights of foreign investors to investment as well as the earnings and profit gained on them, the terms and conditions of entrepreneurial activities of foreign investors on the territory of the Russian Federation.

The present Federal Law is aimed at raising and effectively using foreign material and financial resources, advanced machinery and technology, managerial experiences in the economy of the Russian Federation, at providing a stable environment for the activities of foreign investors and at making sure the legal treatment of foreign investments complies with the provisions of international law and international practices of investment cooperation.

Article 1. The Relations Governed by the Present Federal Law and the Applicability of This Law

1. The present Federal Law shall govern relations connected with state guarantees of the rights of foreign investors when they invest on the territory of the Russian Federation.

2. The present Federal Law shall not extend to relations connected with the investment of foreign capital in banks and other credit organizations as well as insurance organizations governed by the legislation on banks and banking activities of the Russian Federation and the legislation on insurance of the Russian Federation respectively.

The present Federal Law also shall not extend to relations connected with the investment of foreign capital in non-commercial organizations for the purpose of attaining a certain socially useful goal, including among other things, educational, charitable, scientific or religious goals, such relations being governed by the legislation on non-commercial organizations of the Russian Federation.

The validity of Articles 7 and 16 of the present Federal Law shall not extend to the relations associated with the industrial production or technology-commercialisation or tourism-recreation activities by residents of the special economic zone.

Article 2. The Basic Terms Used in the Present Federal Law

The following basic terms are used for the purposes of the present Federal Law:
"foreign investor" means a foreign legal entity the civil legal capacity of which is determined under the legislation of the state where it has been instituted and which is entitled under the legislation of the said state to invest on the territory of the Russian Federation; a foreign organization not being a legal entity the civil legal capacity of which is determined under the legislation of the state where it has been instituted and which is entitled under the legislation of the said state to invest on the territory of the Russian Federation; a foreign citizen whose civil legal capacity and competence is determined under the legislation of the state of his/her citizenship and who is entitled under the legislation of the said state to invest on the territory of the Russian Federation; a person without citizenship who permanently reside outside the territory of the Russian Federation and whose civil legal capacity and competence are determined under the legislation of the state where he/she permanently resides and who is entitled under the legislation of the said state investment on the territory of the Russian Federation; an international organization which is entitled under an international treaty of the Russian Federation to invest on the territory of the Russian Federation; foreign states in compliance with a procedure provided by federal laws;

"foreign investment" means the investment of foreign capital in an object of entrepreneurial activity on the territory of the Russian Federation in the form of objects under civil law owned by the foreign investor unless trading in such objects under civil law is prohibited or limited in the Russian Federation under federal laws, including, without limitation, money, securities (denominated in foreign currency and the currency of the Russian Federation), other property, rights in rem, exclusive rights to the results of intellectual activities having pecuniary value (intellectual property) as well as services and information;

"direct foreign investment" means the acquisition by a foreign investor of at least 10 per cent stake, stakes (contribution) in the authorized (aggregate) capital of a commercial organization set up or being set up on the territory of the Russian Federation in the form of an economic partnership or company under the civil legislation of the Russian Federation; the investment of capital in the fixed assets of a branch of a foreign legal entity being set up on the territory of the Russian Federation; the pursuance of financial leasing (leasing) of the equipment specified under Sections XVI and XVII of the CIS CC FEA having a customs value of at least 1 million roubles by a foreign investor as lessor;

"investment project" means the substantiation of the economic feasibility, scope and term of a direct foreign investment including design and cost-estimate documentation elaborated in compliance with the standards provided in the legislation of the Russian Federation;

"priority investment project" means an investment project having an aggregate amount of foreign investment of at least 1 billion roubles (not below an equivalent amount in foreign currency at the exchange rate of the...
Central Bank of the Russian Federation as of the date when the present Federal Law comes into force) or an investment project having the minimum stake (contribution) of foreign investors in the authorized (aggregate) capital of a commercial organization with foreign investment of at least 100 million roubles (not below an equivalent amount in foreign currency at the exchange rate of the Central Bank of the Russian Federation as of the date when the present Federal Law comes into force) included in a list subject to endorsement by the Government of the Russian Federation;

"investment project justification term" means a term from the date of the commencement of funding of an investment project through the use of direct foreign investment to the date when a difference between the accumulated amount of net profit with depreciation and the amount of investment costs of a commercial organization with foreign investment or a branch of a foreign legal entity or lessor under a financial leasing (leasing) agreement becomes positive;

"reinvestment" means a major investment in objects of entrepreneurial activities on the territory of the Russian Federation out of the earnings or profit of a foreign investor or commercial organization with foreign investment received by them from foreign investment;

"aggregate tax burden" means a rated sum total of monies to be paid in the form of import customs duties (excluding the customs duties caused by the application of measures aimed at protecting the economic interests of the Russian Federation when foreign trade in merchandise is being performed in compliance with the legislation of the Russian Federation), federal taxes (excluding excise taxes, value added tax on the goods manufactured on the territory of the Russian Federation) and contributions to the state non-budget funds (excluding contribution to the Pension Fund of the Russian Federation) by a foreign investor and a commercial organization with foreign investment implementing an investment project out of foreign investments, as of the moment of the commencement of funding of the investment project.

Article 3. The Legal Regulation of Foreign Investment on the Territory of the Russian Federation

1. The legal regulation of foreign investment on the territory of the Russian Federation is effected by the present Federal Law, other federal laws and other regulatory legal acts of the Russian Federation as well as international treaties of the Russian Federation.

2. The subjects of the Russian Federation are entitled to enact laws and other regulatory legal acts governing foreign investment, insofar as it concerns the issues within their competence as well as joint competence of the Russian Federation and the subjects of the Russian Federation, in compliance with the present Federal Law and other federal laws.
Article 4. The Legal Treatment of the Activities of Foreign Investments and Commercial Organizations with Foreign Investment

1. The legal treatment of the activities of foreign investors and the use of profit received from investments shall not be less favorable than the legal treatment of the activities and the use of profit received from investments granted to Russian investors, with the exceptions provided by federal laws.

2. Restrictive exemptions for foreign investors may be established by federal laws only insofar as it is required for the purposes of protecting the constitutional system, morals, health, rights and lawful interests of others, national defense and state security.

Incentive exemptions in the forms of privileges for foreign investors may be established for the purposes of social and economic development of the Russian Federation. The kinds of privileges and procedure for the granting thereof shall be established by the legislation of the Russian Federation.

3. A foreign legal entity's branch set up on the territory of the Russian Federation performs a part of the functions or all of the functions of a permanent establishment on behalf of the foreign legal entity that has set it up (hereinafter referred to as "head organization") on condition that the aims of the formation and activity of the head organization are of a commercial nature and the head organization is directly liable for the obligations it has assumed in connection with the pursuance of the said activity on the territory of the Russian Federation.

4. Affiliated and dependent companies of a commercial organization with foreign investment shall not enjoy the legal protection, guarantees and privileges established by the present Federal Law as they pursue their entrepreneurial activities on the territory of the Russian Federation.

5. A foreign investor, commercial organization with foreign investment set up on the territory of the Russian Federation where a foreign investor (foreign investors) owns (own) at least 10 per cent of stake, stakes (contribution) in the authorized (aggregate) capital of the said organization shall enjoy within the full scope the legal protection, guarantees and privileges established by the present Federal Law as they reinvest.

6. A Russian commercial organization shall acquire the status of a commercial organization with foreign investment as of the date when a foreign investor becomes of the stakeholders thereof. From that date on, the commercial organization with foreign investment and the foreign investor shall enjoy the legal protection, guarantees and privileges established by the present Federal Law.

The commercial organization shall lose the status of a commercial organization with foreign investment as of the date when the foreign investor quits as a stakeholder thereof (when all the foreign investors quit, should there be several foreign investors among the stakeholders thereof). As of this date the said commercial organization and the foreign investor
shall loose the legal protection, guarantees and privileges established by the present Federal Law.

Article 5. The Guarantee of Legal Protection of the Activities of Foreign Investors on the Territory of the Russian Federation

1. On the territory of the Russian Federation the foreign investor shall be granted a full and unconditional right of rights and interests as provided in the present Federal Law, other federal laws and other regulatory legal acts of the Russian Federation and international treaties of the Russian Federation.

2. The foreign investor is entitled to damages as reimbursement of the losses inflicted thereto as a result of unlawful actions (omission) on part of the state bodies, local self-government bodies and or officials thereof, under the civil legislation of the Russian Federation.

Article 6. The Guarantee of Foreign Investor's Use of the Various Forms of Investment on the Territory of the Russian Federation

The foreign investor is entitled to implement investment on the territory of the Russian Federation in any forms not prohibited by the legislation of the Russian Federation.

The appraisal of investment in the authorized (aggregate) capital of a commercial organization with foreign investment shall be done in compliance with the legislation of the Russian Federation.

The appraisal of the investment shall be done in the currency of the Russian Federation.

Transactions made by foreign states, international organisations or by organisations controlled by them which result in acquisition of the right to dispose directly or indirectly of over 25 per cent of the total number of votes falling at the voting stocks which constitute the authorised capital of a Russian economic company or of other ability to block decisions made by managerial bodies of such economic company are subject to preliminary coordination in the procedure provided for by Articles 9-12 of the Federal Law on the Procedure for Making Foreign Investments in Economic Companies Which Are of Strategic Importance for Ensuring the Country's Defence Capacity and State Security.

Article 7. The Guarantee of the Assignment of the Rights and Duties of a Foreign Investor to Another Person

1. By virtue of an agreement the foreign investor is entitled to assign his rights (the right of claim) and duties (assign debt) and under the law or a decision of the court is obligated to assign his rights (the right of claim) and duties (assign debt) to another person in compliance with the civil legislation of the Russian Federation.

2. Should a foreign state or a state body authorized by the state effect a payment for the benefit of a foreign investor under a guarantee
Article 8. The Guarantee of Compensation in Case of Nationalization and Requisition of the Assets of a Foreign Investor or Commercial Organization with Foreign Investment

1. The assets of a foreign investor or commercial organization with foreign investment is not subject to enforced seizure, including nationalization, requisition, with the exception of the cases and on the grounds provided in a federal law or international treaty of the Russian Federation.

2. In case of requisition the foreign investor or commercial organization with foreign investment shall be refunded for the value of the assets subjected thereto. Upon the expiration of the effective term of the circumstances in connection with which the requisition was effected the foreign investor or commercial organization with foreign investments shall be entitled to claim in accordance with the judicial procedure that the assets preserved be returned but they shall refund the compensation amount they received less the loss in the value of the assets.

In case of nationalization the foreign investor or commercial organization with foreign investors shall be reimbursed for the assets nationalized and other losses. Disputes on the reimbursement of losses shall be resolved in accordance with the procedure set forth in Article 10 of the present Federal Law.

Article 9. Guarantee against a Change in the Legislation of the Russian Federation That Is Unfavorable for the Foreign Investor and Commercial Organization with Foreign Investment

1. Should new federal laws and other regulatory legal acts of the Russian Federation come into force as changing the rates of import customs duties (excluding the customs duties arising from the application of measures aimed at protecting the economic interests of the Russian Federation in the pursuance of foreign trade in merchandise in compliance with the legislation of the Russian Federation), federal taxes (excluding excise taxes, value added tax on the goods manufactured on the territory of the Russian Federation) and contribution to the state non-budget funds (excluding contribution to the Pension Fund of the Russian Federation) or should amendments be introduced in the effective federal laws and other regulatory legal acts of the Russian Federation as leading to an increase in the aggregate tax burden on the activity of the foreign investor and commercial organization with foreign investment of implementing priority...
investment projects or as setting up a restrictions and limitations regimen in respect of foreign investments in the Russian Federation in comparison with the aggregate tax burden and the regimen effective under federal laws and other regulatory acts of the Russian Federation as of the date when funding of the priority investment project was commenced out of foreign investment, such new federal laws and such other regulatory legal acts of the Russian Federation and also the amendments introduced in the effective federal laws and other regulatory legal acts of the Russian Federation shall not apply, within the terms specified under Item 2 of the present Article, to the foreign investor and commercial organization with foreign investment implementing priority investment projects out of foreign investment, on condition that the merchandise imported to the customs territory of the Russian Federation by the foreign investor and commercial organization with foreign investment are used as earmarked to implement the priority investment projects.

The provisions of Paragraph 1 of the present Item shall extend to a commercial organization with foreign investment if the stake (s) (contribution) of foreign investors in the authorized (aggregate) capital of such an organization make up over 25 per cent and also to a commercial organization with foreign investment implementing a priority investment project, no matter the stake (contribution) of foreign investors in the authorized (aggregate) capital of such an organization.

2. As it concerns a foreign investor implementing an investment project, the stability of the terms and conditions as well as environment specified under Item 1 of the present article shall be guaranteed within the justification term of the investment project but not exceeding seven years from the date when funding was commenced for the project out of foreign investment. Investment project justification term shall be differentiated depending on the kind of the project in accordance with the procedure established by the Government of the Russian Federation.

3. In exceptional cases, as a foreign investor and commercial organization with foreign investment implement priority investment projects in the field of manufacturing or creating a transportation infrastructure or another infrastructure with the aggregate amount of foreign investment of at least 1 billion roubles (not below the equivalent amount in foreign currency at the exchange rate of the Central Bank of the Russian Federation as of the date of the coming into force of the present Federal Law) the justification term whereof exceeds seven years, the Government of the Russian Federation shall make a decision to extend the effective term of the terms and conditions as well as environment specified under Item 1 of the present article for the said foreign investor and commercial organization with foreign investor.

4. The provisions of Item 1 of the present article shall not extend to the amendments introduced form time to time in the legislative acts of the Russian Federation or the newly enacted federal laws and other regulatory
legal acts of the Russian Federation as aimed at protecting the fundamentals of the constitutional system, morals, health, rights and lawful interests of other persons, national defense and state security.

5. The Government of the Russian Federation shall:

establish criteria for the appraisal, in terms of being unfavorable for the foreign investor and commercial organization with foreign investments, of a change in the terms of the collection of import customs duties, federal taxes and contribution to the state non-budget funds, restrictions and limitations environment of the implementation of foreign investment on the territory of the Russian Federation;

endorse a procedure for the registration of priority investment projects by the federal body of executive power specified in Article 24 of the present Federal Law;

monitor the foreign investor and commercial organization with foreign investment discharging their obligations of implementing the priority investment projects within the terms specified under Items 2 and 3 of the present article.

Should the foreign investor and commercial organization with foreign investment default on the performance under the obligations specified in Part 1 of the present item, they shall be deprived of the privileges granted thereto in compliance with the present article. The amount of the funds not paid as a result of the privileges so granted, shall be subject to refund in accordance with the procedure established by the Government of the Russian Federation.

Article 10. The Guarantee of the Resolution in Due Course of a Dispute Arising from a Foreign Investor’s Investment and Entrepreneurial Activities on the Territory of the Russian Federation

A foreign investor’s dispute arising in connection with the implementation of investment and entrepreneurial activities on the territory of the Russian Federation shall be resolved in compliance with the international treaties of the Russian Federation and federal laws in the court or arbitration court or in an international arbitration court (umpire).

Article 11. The Guarantee of the Use on the Territory of the Russian Federation and Transfer Out of the Territory of the Russian Federation of Earnings, Profit and Other Funds Lawfully Received

Upon the completion of payment of the taxes and fees as provided in the law of the Russian Federation, the foreign investor shall have the right to freely use earnings and profit on the territory of the Russian Federation for the purposes of reinvestment in compliance with the provisions of Item 2 Article 4 of the present Federal Law or other purposes not being in conflict with the legislation of the Russian Federation as well as unimpeded transfer out of the Russian Federation of earnings, profit and other
monetary amounts lawfully received in foreign currency in connection with the investments effected by him earlier, including the following:

- earnings from investment received in the form of profit, dividends, interest and other earnings;
- monetary amounts as discharge of obligations of the commercial organization with foreign investment or foreign legal entity that has opened its branch on the territory of the Russian Federation under agreements and other deals;
- monetary amounts received by the foreign investor in connection with the liquidation of a commercial organization with foreign investment or a branch of a foreign legal entity or alienation of invested assets, rights in rem and exclusive rights to the results of intellectual activities;
- the compensations stipulated in Article 8 of the present Federal Law.

**Article 12. The Guarantee of the Right of the Foreign Investor to Take Out of the Russian Federation without Hindrance Assets and Information in Documentary Form or Electronic Record Carrier Form That Were Originally Imported to the Territory of the Russian Federation as a Foreign Investment**

A foreign investor who originally imported to the territory of the Russian Federation assets and information in documentary form or in the form of a record on electronic carriers as a foreign investment shall be entitled to unimpeded (without quotas, licensing and other non-tariff foreign trade regulation applied thereto) export of the said assets and information out of the Russian Federation.

**Article 13. The Guarantee of the Right of the Foreign Investor to Acquire Securities**

The foreign investor is entitled to acquire shares and other securities of Russian commercial organizations and state securities under the securities legislation of the Russian Federation.

**Article 14. The Guarantee of the Foreign Investor's Participation in Privatization**

The foreign investor may take part in the privatization of assets being in state or municipal ownership by means of acquiring the rights of ownership to the state and municipal property or a stake, stakes (contribution) in the authorized (aggregate) capital of an organization being privatized, on the terms and in accordance with the procedure established by the legislation of the Russian Federation on the privatization of state and municipal property.

**Article 15. The Guarantee of the Foreign Investor Being Granted the Rights to Plots of Land, Other Natural Resources, Buildings, Structures and Other Real Property**
The acquisition of rights to plots of land, other natural resources, buildings, structures and other real property by the foreign investor shall be effected in compliance with the legislation of the Russian Federation and the legislation of the subjects of the Russian Federation.

The right to conclude a contract to lease a plot of land can be acquired by the commercial organization with foreign investment at a sale (auction, tender), except as otherwise provided in the legislation of the Russian Federation.

Article 16. The Customs Payment Exemptions That May Be Granted to the Foreign Investor and Commercial Organization with Foreign Investment

Exemptions from customs payments are granted to foreign investors and commercial organizations when they implement a priority investment project under the customs legislation of the Russian Federation and the taxes and fees legislation of the Russian Federation.

Article 17. The Privileges and Guarantees That May Be Granted to the Foreign Investor by the Subjects of the Russian Federation and Local Self-Government Bodies

The subjects of the Russian Federation and local self-government bodies, acting within their competence, may grant to a foreign investor privileges and guarantees, provide funding and render other forms of support in respect of an investment project implemented by the foreign investor, out of the budget resources of the subjects of the Russian Federation and local budgets as well as non-budget resources.

Article 18. The Anti-Monopoly Legislation of the Russian Federation and the Compliance of the Foreign Investor with Fair Competition Principles

The foreign investor shall observe the anti-monopoly legislation of the Russian Federation and avoid unfair competition and restrictive business practices, including but not limited to, through setting up on the territory of the Russian Federation of a commercial organization with foreign investment or a branch of a foreign legal entity to manufacture a high-demand merchandise and subsequently to self-liquidate for the purpose of promoting a similar foreign-made merchandise as well as through a malicious price agreement or merchandise sale market agreement or sale (auction, tender) participation agreement.

Article 19. The Property Insurance Effected by the Commercial Organization with Foreign Investment and the Head Organization of a Branch of a Foreign Legal Entity

The commercial organization with foreign investment, at its discretion, the branch of a foreign legal entity, at the discretion of the head organization, shall effect property insurance against the risk of a loss (peril), shortage or damage of property, civil liability and entrepreneurial
Article 20. The Formation and Liquidation of the Commercial Organization with Foreign Investment

1. The formation and liquidation of the commercial organization with foreign investment shall be effected on the terms and in accordance with the procedure provided by the Civil Code of the Russian Federation and other federal laws, except the cases that may be established by federal laws in compliance with Item 2 Article 4 of the present Federal Law.

2. Juridical persons, being profit-making organisations with foreign investments, shall be subject to state registration in the procedure defined by the federal law on the state registration of juridical persons.

Article 21. The Formation and Liquidation of the Branch of a Foreign Legal Entity

The branch of a foreign legal entity shall be set up to pursue on the territory of the Russian Federation the activities pursued by the head organization outside of the Russian Federation and it shall be liquidated under a decision of the foreign legal entity being the head organization.

The state control of the formation, activities and liquidation of the branch of a foreign legal entity shall be carried on by means of the accreditation thereof in accordance with the procedure defined by the Government of the Russian Federation.

The federal body of executive power specified in Article 24 of the present Federal Law shall be responsible for the accreditation of a branch of a foreign legal entity.

The branch of a foreign legal entity may be denied accreditation by the reason of protecting the fundamentals of the constitutional system, morals, health, rights and lawful interests of others, national defense and state security.

Article 22. Requirements to the Regulations on the Branch of a Foreign Legal Entity

1. The head organization shall submit to the federal body of executive power specified in Article 24 of the present Federal Law regulations on the branch of foreign legal entity and the other documents the list and requirements of which are endorsable by the Government of the Russian Federation with due regard to Items 2 and 3 of the present article.

2. The following shall be specified in the regulation on the branch of foreign legal entity: the names of the branch and the head organization thereof, organizational and legal form of the head organization, the location of the branch on the territory of the Russian Federation and the legal address of the head organization thereof, goals of the formation and the kinds of activity of the branch, composition, amount and term for contributing funds in the fixed assets of the branch, procedure for
managing the branch. The regulations on the branch of foreign legal entity may include other information as reflecting the peculiar features of the activities of the branch of foreign legal entity on the territory of the Russian Federation that are not in conflict with the legislation of the Russian Federation.

3. The appraisal of the contribution of funds in the fixed assets of the branch of foreign legal entity shall be done by the head organization on the basis of domestic prices or world prices. The appraisal of the contribution of funds shall be effected in the currency of the Russian Federation. The assessed value of the contribution of funds in the fixed assets of the branch of foreign legal entity shall be specified in the regulation on the branch of foreign legal entity.

4. The branch of foreign legal entity is entitled, effective as of the date of accreditation, to pursue entrepreneurial activities on the territory of the Russian Federation.

The branch of foreign legal entity shall terminate entrepreneurial activity on the territory of the Russian Federation as of the date when it is deprived of the accreditation.

Article 23. The Elaboration and Implementation of State Policy in the Field of Foreign Investment

In accordance with the Federal Constitutional Law on the Government of the Russian Federation the Government of the Russian Federation elaborates and implements the state policy in the sphere of international investment cooperation.

The Government of the Russian Federation shall:

determine the feasibility of imposing bans and restrictions on foreign investment on the territory of the Russian Federation, elaborate bills listing the said bans and restrictions;
endorse the list of priority investment projects specified in Article 2 of the present Federal Law;
elaborate federal programs for raising foreign investment and ensure the implementation thereof;
raise investment credits from international financial organizations and foreign states to provide funding for the Development Budget of the Russian Federation and federal-significance investment projects;
carry on interaction with the subjects of the Russian Federation on the issues of international investment cooperation;
monitor the preparation and signing of investment agreements with foreign investors for their implementing large-scale investment projects;
monitor the preparation and signing of international treaties of the Russian Federation for providing incentives and mutually protecting investments.
**Article 24.** The Federal Body of Executive Power in Charge of the Coordination of Raising Direct Foreign Investment

The Government of the Russian Federation shall designate a federal body of executive power to be responsible for the coordination of raising direct foreign investments for the benefit of the economy of the Russian Federation.


The present Federal Law shall supersede the following:

The Law of the RSFSR on Foreign Investment in the RSFSR (the Gazette of the Congress of People's Deputies of the RSFSR and the Supreme Soviet of the RSFSR, item 1008, No. 29, 1991);

the Resolution of the Supreme Soviet of the RSFSR on Putting Into Force the Law of the RSFSR on Foreign Investment in the RSFSR (the Gazette of the Congress of People's Deputies of the RSFSR and the Supreme Soviet of the RSFSR, item 1009, No. 29, 1991);


**Article 26.** Bringing the Legislation of the Russian Federation in Conformity with the Present Federal Law

1. The President of the Russian Federation and the Government of the Russian Federation are hereby proposed to bring their regulatory legal acts in conformity with the present Federal Law.


**Article 27.** Bringing the Regulations on the Branches of Foreign Legal Entities Set Up on the Territory of the Russian Federation in Conformity with the Present Federal Law

The head organizations the branches whereof had been set up on the territory of the Russian Federation prior to the coming into force of the present Federal Law shall:
bring the regulations on the branches of foreign legal entities in conformity with the present Federal Law within six months after the date when it comes into force;

have the branches of the foreign legal entities accredited within one year after the date when the present Federal Law comes into force.

**Article 28.** Putting Into Force the Present Federal Law

The present Federal Law shall come into force as of the date of the official publication thereof.

President of the Russian Federation

B. Yeltsin

Moscow, the Kremlin