



Registration procedure changes for NGO

A revised version of the Federal Law "On non-profit organizations" № 7-FZ dated January 12, 1996 came into effect on April 18, 2006. According to the revised law, representative offices and branch offices (hereinafter referred to as Affiliated Offices) are registered by the Federal Registration Service under the Ministry of Justice of the Russian Federation (hereinafter referred to as FRS). Previously registered Affiliated Offices of foreign companies acting in the Russian Federation must have registered under the new law before October 17, 2006. After that date representative offices or branch offices that did not register, must discontinue their activities until they are registered in accordance with the new regulations.

Entry into the official register of representative and branch offices of foreign non-profit non-governmental organizations is considered to be registration of such offices. Previously registration of representative and branch offices (performed by the State Registration Service under the Department of Justice of the Russian Federation) was confirmed by two documents: A license for the establishment of a representative office and a certificate of entry into the Unified State Register of representative and branch offices accredited in the Russian Federation.

Unlike the previous regulations, representative offices are now registered without a specific expiration date, whereas earlier licenses were issued only for a period of from 1 to 3 years for representative offices and up to 5 years for branch offices of foreign legal entities.

According to the new regulations, licensing is free of charge (previously, fees could cost up to 3,500 USD depending on the term of the license required).

New regulations enumerate a list of documents that must be filed with the FRS for consideration:

1. Notification of the establishment of a representative or branch office in the Russian Federation;
2. Resolution of the parent entity to establish a representative or a branch office in the Russian Federation;
3. Documents outlining the "Purposes and Objectives" of establishing a representative office in the Russian Federation;
4. Operating procedures (rules and regulations) of the representative office;
5. Power of attorney issued in the name of the head of the representative office;
6. Documentation from the trade register of the country where the parent company is situated;
7. Charter of the parent organization;
8. Resolution to establish parent organization;
9. In some cases documentation is required from the country (state, region, etc.) where the parent organization is situated regarding the laws which regulate the activity of non-profit organizations.

Previously, the State Registration Office of the Russian Federation required a bank reference for the parent organization, as well as a document confirming the financial grounds for the establishment of the



affiliated office (for example, a letter of guarantee providing for an office after registration). These documents are no longer required.

Of course all documents should be presented in the language of the country where the parent office is situated. Documents must have an apostil or have a consular certification mark as well as notarization of the translation into Russian.

It seems obvious that the documents should not contradict each other and should be logical. However, in practice this has posed some problems. For example: the FRS required that the Charter of the parent organization contain an article permitting the establishment of representative and/or branch offices in other countries. In practice, many Charters did not have such an article. This did not mean however that non-profit organizations could not establish representative offices in other countries. Often laws of the country where the parent organization is located do not require such articles in Charters because such permission inherent in legislation. Countries (such as the United States) follow the principle: "Anything is permitted that is not forbidden by law". Although in conflict with the actual Russian legislation, the problem remains.

Another problem arises when the FRS requires that all documents have an apostille or a mark of consular certification. Provision of such marks is regulated not only by international law but by the state legislation of those countries. Sometimes commissioned institutions refuse to provide an apostille or mark of consular certification for certain documents such as abstracts from the law.

The new laws require a new separate document, "Purposes and Objectives" of the representative or branch office. In some cases however, organizations have tried to present only a "Resolution" to establish a representative office where the Purposes and Objectives were enumerated. But if one reads the Law more carefully it is clear that the document "Purposes and Objectives" must be a separate document, wherein the "purposes" are the goals of the organization and the "objectives" are the means and methods to accomplish those goals.

The most problems seem to arise from the Russian versions (notarized translations) of documents. When preparing documents special attention should be paid to the name of the organization, representative or branch office, names and positions, etc. In practice, Russian versions usually contain discrepancies when documents in the original foreign versions did not. The Federal Registration Service is very particular and exacting in such matters.

The name of the Affiliated Office should contain an indication that it is a representative or branch office of a non-profit organization).

After registration the representative or branch office has the following responsibilities:

- Notify the FRS of the physical location of the Affiliated Office;
- File an annual report regarding activities planned for the *next* year on or before October 31st ;
- Submit an annual report on the actual expenses both cash and property received by the office not later than April 15, of the year following the reporting year;



- Report quarterly on the cash and other property received, their assumed allocation, as well as on the purposes of these expenses.

Although there are some favorable changes in the revisions to the law for registration of Affiliated Offices of foreign non-profit organizations (such as elimination of the fees for registration and elimination of the necessity to file or obtain certain documents along with the elimination of automatically expiring licenses) there are other areas where the laws may be viewed as confusing, conflicting and burdensome. Care should be taken to review filings carefully with your legal professionals to insure timely compliance with the laws.