

# WAYS OF THE FEDERAL LAW-223 DEVELOPMENT

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October 25, 2012, the Committee on Land Relations and Construction of the State Duma of the Russian Federation held a round table discussion on «The implementation and ways of improving of the Federal Law of July 18, 2011, № 223-FZ «On the procurement of goods, works and services by certain categories of legal entities» (hereinafter - the Law 223-FZ).

Among the participants were the representatives of the Ministry of Economic Development of Russia, FAS of Russia, state-owned companies and corporations as well as legal experts and economists.

The representatives of the ministries and agencies reiterated the goals and objectives of adopting the Law 223-FZ and explained the logic behind its provisions. The business representatives described basic conceptual problems (in particular, the non-compliance of extremely wide range of regulated subjects with the goals of the law) and technical problems related to the implementation of the Law 223-FZ (in particular, lack of administrative capacity to implement it, the absence of subordinate legislation, which would allow to implement the Law in practice effectively).

The Ministry of Economic Development of Russia (the "MED"), as the developer of the Law 223-FZ, insists that the law has already begun to fulfill its tasks and its final entry into force should not be delayed. The MED of Russia takes a strong position on the reform of the Law 223-FZ, but unlike business it does not see any pressing need for it. However, the Russian Ministry of Economic Development recognizes the need for technical revision of the law, in particular, with regard to the range of subjects which fell under its regulation (for example, restricting of its application to the state banks).

The participants have proposed the following amendments:

1. to limit scope of subjects governed by the Law 223-FZ, and to exclude the following companies:

- (A) public corporations and public companies operating in highly competitive markets (banks, oil companies);
- (B) subsidiaries of natural monopolies, if such subsidiaries are not involved in the procurement activities of the parent company;
- (C) companies with insignificant revenues from natural monopoly activities in comparison with the revenue from the core business activities;
- (D) companies with a low-volume of purchases, for which the administration costs will be higher than procurement savings from the optimization of the cost of procurement;

2. simplify and make the customers complaint procedure efficient under Law 223-FZ (for example, reduce the statute of limitations for such an appeal);
3. introduce criteria for innovative products, the definition of the organizer of purchases and a number of other technical corrections.

During the week following the Round Table, the Committee on Land Relations and Construction of the State Duma of the Russian Federation will accept further proposals for amendments to the Law 223-FZ. Then, with regard to the operation of law and the necessary amendments, the committee's motivated recommendations will be prepared.

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Current issue contains an overview of the recent legislative changes. The presented material should be treated as general information and not as professional advice.

VEGAS LEX recommends seeking professional advice on any matter

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## RECOMMENDATIONS & RECOGNITION

- Best Lawyers 2012
- IFLR1000 2012
  - M&A
  - Project finance
  - Restructuring & Insolvency
- Chambers Europe 2012
  - PPP
  - Competition/Antitrust
  - Dispute Resolution
- The Legal 500 EMEA 2012
  - PPP
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  - Real Estate
  - Corporate and M&A
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  - Energy & Natural Resources
- European Legal Experts 2012
- Russia's leading rankings Pravo.Ru-300 in 2011
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## COOPERATION

Ministry of Economic Development, Ministry of Transportation of the RF; Ministry of Regional Development, Federal Antimonopoly Service, Federal Financial Markets Service, Committees of the State Duma and the Federation Council, Vnesheconombank, various Federal agencies, PPP and Investment Commission of the Russian Union of Industrialists and Entrepreneurs, Protection Committee of the National Securities Market Association, Agency of Strategic Initiatives, etc.

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