
Accountor Russia

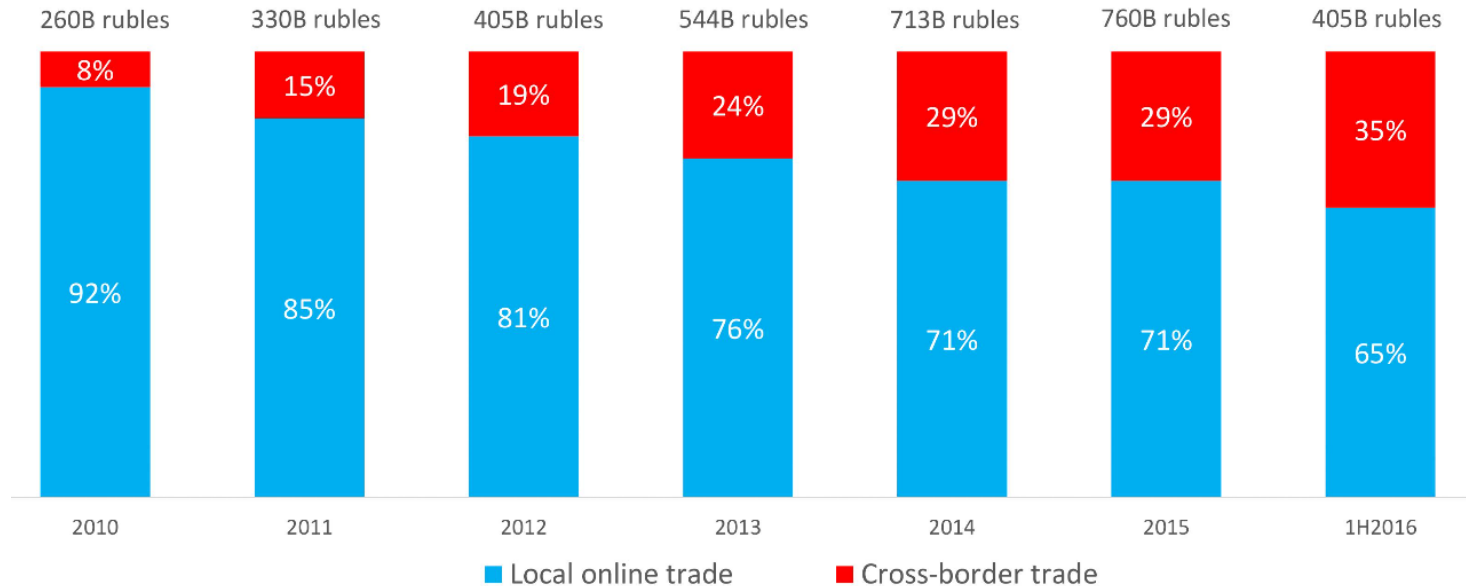
Cross-Border Internet Sales to Russia

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Director of Legal Department

Market in Russia – №1 in Europe

- E-commerce retail market growth - geometrical progression nowadays
- New formats, new players, new laws
- 2017 Russian market – 1,1 trillion RUR (16,2 billion EUR)
- 2017 cross-border e-commerce sales share – 37% or 420 billion RUR (6,2 billion EUR)

Market Volume in Russia 2010 – 2016



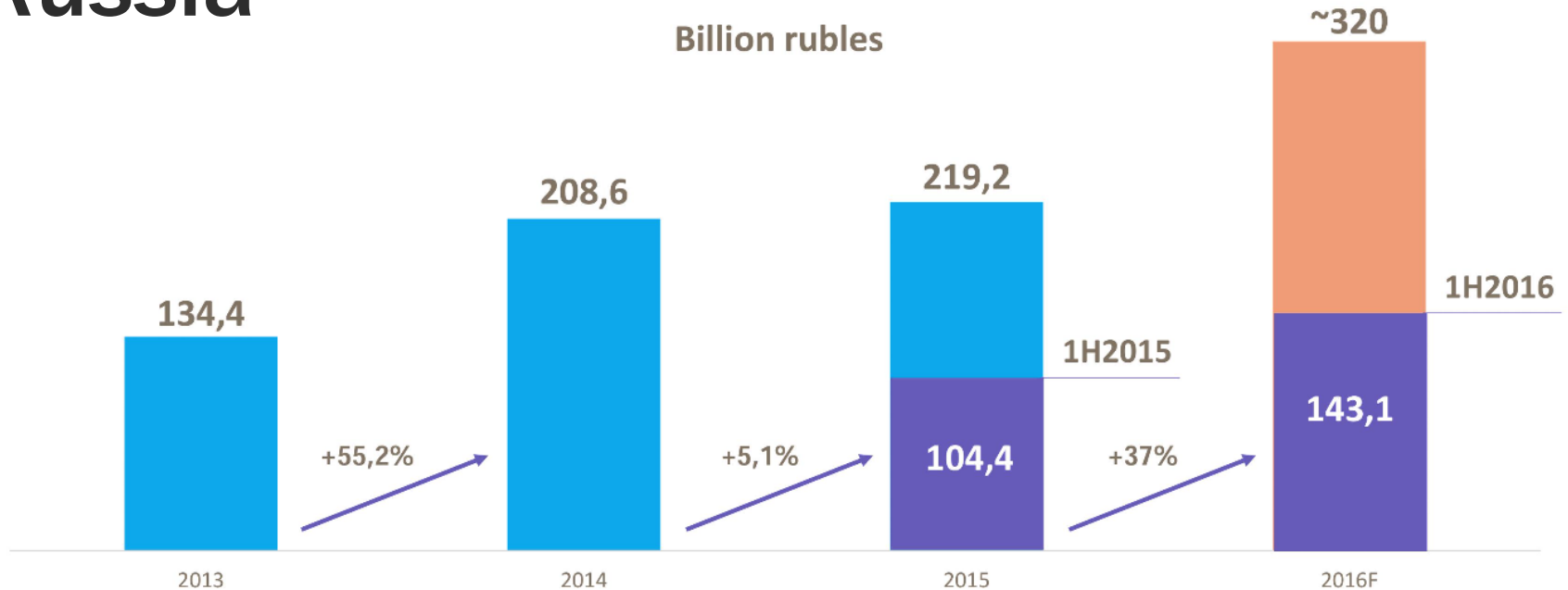
Source: AITC

Orders on Foreign and Local Markets



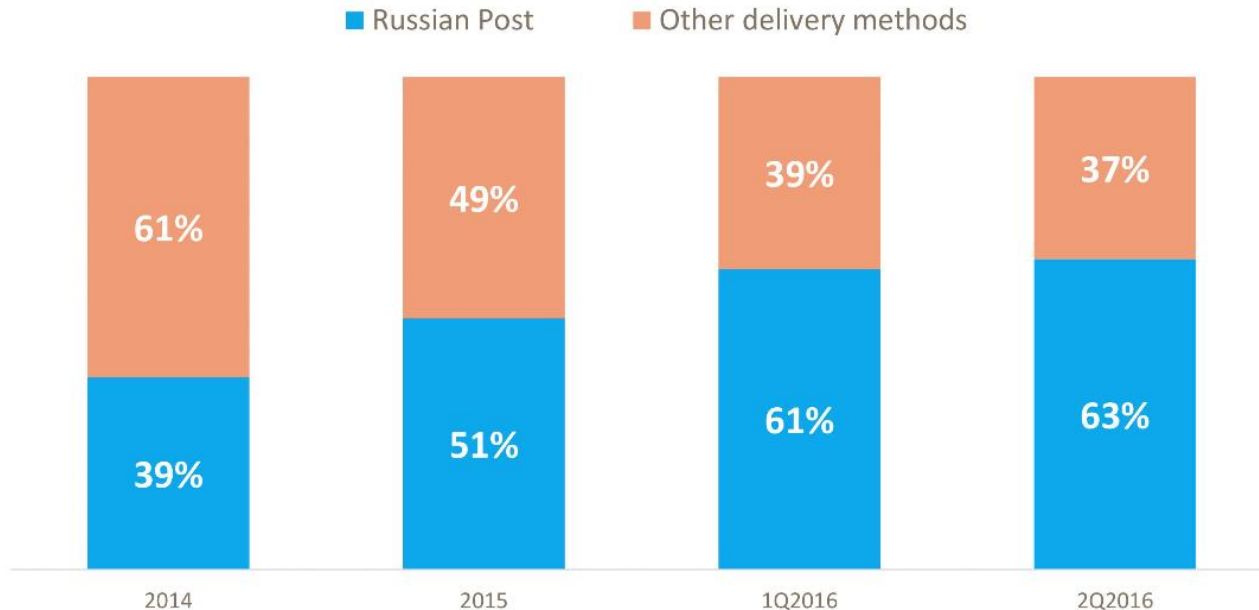
Source: Russian Post, AITC

E-commerce Cross-Border Turnover in Russia



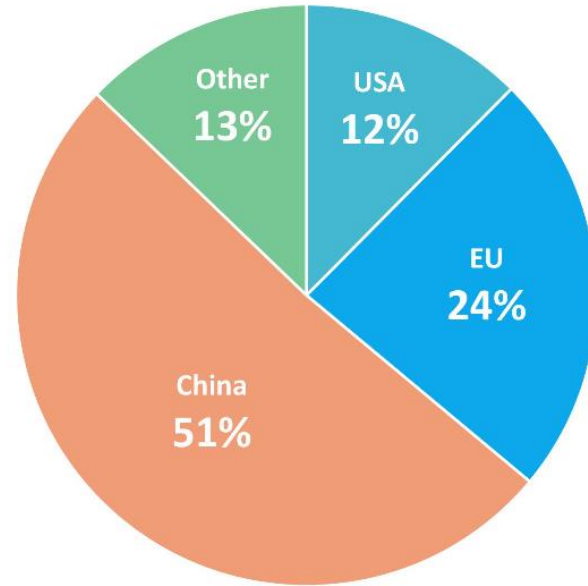
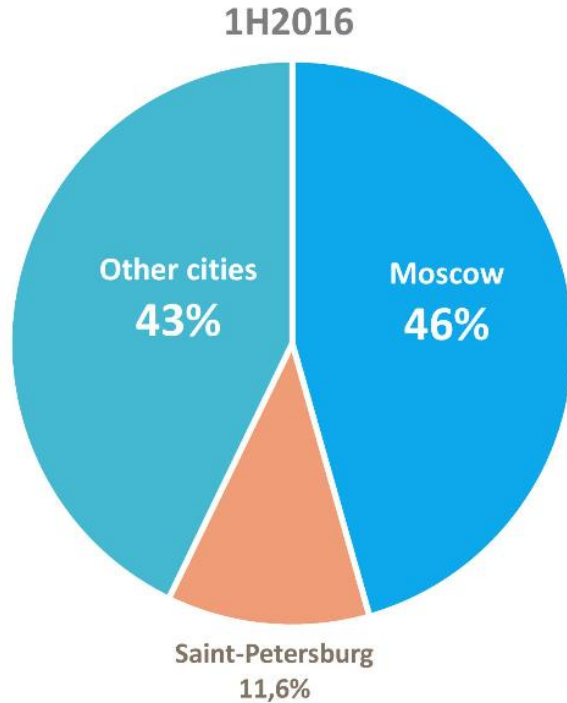
Source: J'son & Partners, AITC

Delivery to Russian Customers in Online Retail



Source: Russian Post, AITC

Who buys from Russia? Where do they buy?

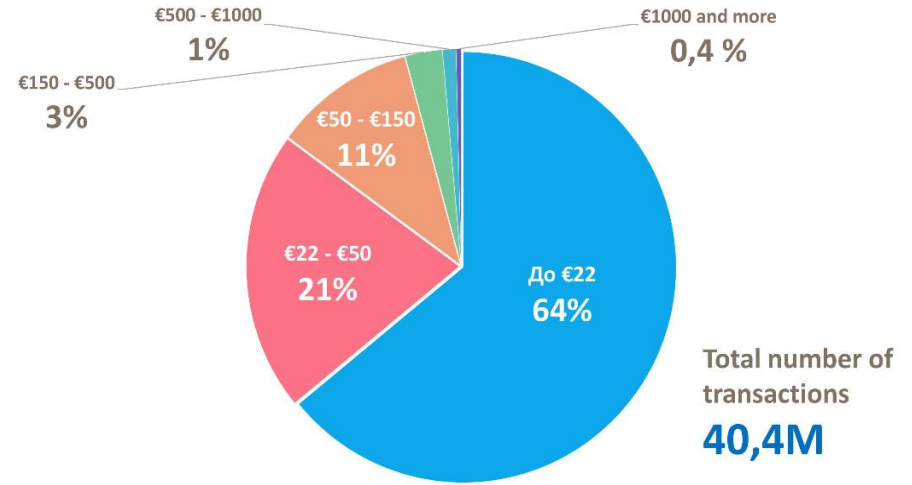


Source: J'son & Partners, AITC

What do They Buy?



Cost of Orders Abroad



Source: J'son & Partners, AITC

The Association of Internet Trade Companies (AITC)

- Government relations;
- Promoting consumer rights protection (Trustmark – sign of a trustworthy merchant and reliable business);
- Events, analytics and statistics;
- International cooperation:

AITC has built partnerships with a wide range of organizations



HKFEC 香港電商聯會
Hong Kong Federation of E-Commerce

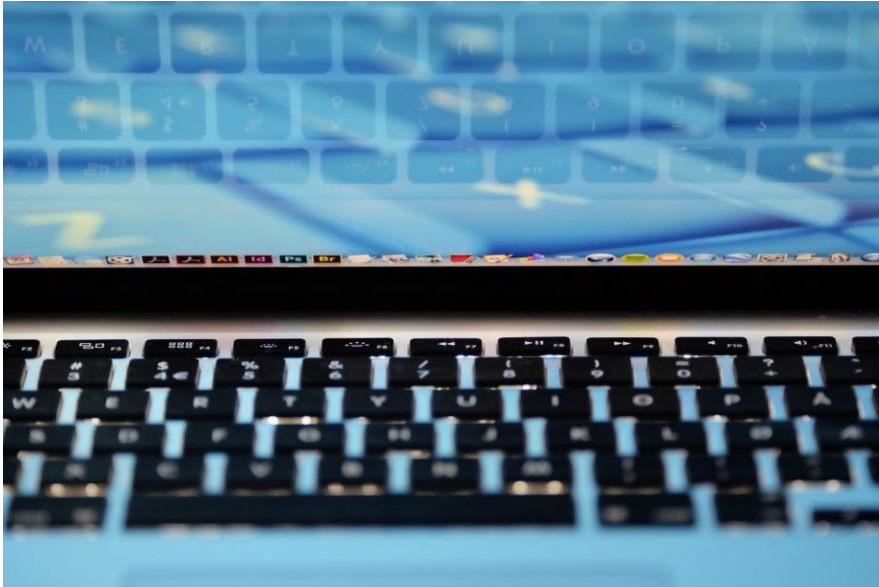
Important to know rules in:

- Privacy and data protection
- Consumer protection
- Advertising
- Digital signatures and authentication
- Intellectual property



Key Laws in Russia Relating to e-Commerce and Export of Software and Services

The Civil Code



Stipulates in international transactions:

- Purchase / Selling relations
- IP rights
- Rules of jurisdiction ID

The Federal Law No. 152-FZ “On Personal Data Protection”

Major requirements:

- Obtain a prior consent from data subjects, especially before passing to 3rd parties
- Disclose the purpose of data collection
- Take appropriate technical and organizational measures
- Guarantee confidentiality of the personal data collected and processed



The Law of the RF No. 2300-1 “On Protection of Consumers’ Rights”

- Relations between e-traders and non-commercial consumers
- General ultimate consumers are well protected in theory
- Full disclosure of information in goods / service

The Order of the Government of the RF No. 612 dd 27/09/2007 “Rules of Sales of Goods by Remote Method” (Distance Selling Regulations)

- Designed to protect consumers
- Goods and supporting services are purchased online
- The seller shall organize the whole process, if logistics features are specified the liability is on the seller
- Exact time of delivery / or reasonable term / or 7 days rule
- In the event of non-acceptance by the buyer – re-delivery at the purchaser’s cost
- Full description and disclosure of the seller in the documentation

The Federal Law No. 63-FZ “On The Digital Signature”

- Discloses all details when digital signature is legally enforceable
- Not used widely in online sales / public offer acceptance is used / “buy now” button
- There is difference between simple and reinforced signature
- The latter has the same legal weight as a handwritten hard copy document

**Define your sector and a proper
instrument /and a corporate
form**

B2C?

Russian domestic laws and norms are hardly enforceable against foreign legal entities targeting Russian consumers

Form of presence to be used:

- Subsidiary (legal entity) under the RF law / more local risks consumer protection / full enforcement of local rules and laws
- Representative office / promote the interests of selling company / info gathering operations / less enforcement of local rules
- Branch office / commercial activities on behalf of HQ

BUT not import for distribution to the 3rd parties (only Russian legal entities are able to declare goods / or use a partner in Russia

Internet store located in Russia

- Do I need transactions in rubles?
- Do I need own warehouse in Russia?
- Do I plan logistics and delivery myself?
- Do I plan to take care about customers myself?
- Do I plan to hire Russians?
- Do I plan to do marketing and PR myself?

If “**YES**” – you should establish an **LLC in Russia**

Internet store located in Russia

Documentation needed:

1. End User License Agreement
General terms of use of the web page (review of goods, filling out the form).
2. Confidentiality Policy
Personal data protection rules, use of cookies, IP, etc. Should not be registered in Roskomnadzor.
3. Public offer for a distant sale of goods Detailed
document referring to the order confirmation, payment, delivery, return, signature, e-mail use, disclaimer.

Export of software programs as a remote service - SaaS

Types of SaaS Agreements in Russia



Subject:

- Access via a standard browser
- Connection with hardware/software of client
- Issuance of a client's software for connection with the cloud service

Financial terms and conditions:

- Subscription fee
- Payment for a certain volume used
- Payment for a number of users

Level of maintenance:

- Correction of critical failures and mistakes
- Consulting of fine tuning and maintenance
- Customizing of the client's version

Contract Model of SaaS from Finland to Russia

Forms:

1. License Agreement
2. Service Agreement
3. Mixture of above

Risks related to documentation / agreement:

1. WARRANTIES FROM PROVIDER – SERVICE “AS IS”
(except individuals)
2. RISKS OF USE ONLY PROPER SOFTWARE
3. CONFIDENTIALITY AND PRIVACY RISKS

Export of Applications (Software) via App Stores

License Agreements for Google Play and Apple iTunes:

- Free-to-pay app with in-app purchase agreement
- Premium app agreement
- Free-app agreement

Export of software programs from Finland to Russia



Software Distribution Agreements

Volume of transferred rights:

- Market and Sell Agreements
- Sublicense Agreements
- SaaS Agreements
- Own software development – modifying of imported product

Financial terms and conditions:

- Royalty payments
- End user price less discount
- Flat fee



Types of License Agreements

Forms/Examples:

1. End-User License Agreement
2. End-User Sub-License Agreement
3. License Agreement with a developer
4. License Agreement with a distributor

Financial Conditions:

1. Lump sum
2. Fixed fee every period
3. % from revenue
4. As discount for end-user

Volume Of Transferred Rights:

1. For launching and certain functionality
2. For distribution and sales of software
3. With the right of sublicense
4. For development own software

Registrations in Russia:

Copyrights for computer programs and related rights

- Helps in court proceedings as evidence;
- Easier to be included in the registrar of software;
- Easier to negotiate with the partners.

Copyrights for databases and related rights

- Confirmation in case of inquiry of counterparts & authorities;
- Confirmation of intangible asset booking;
- Evidence in potential disputes with the 3rd parties.

Trade marks (including service marks)

- Visibility and competition;
- Official use on the goods, adds and domain;
- Prohibition to use similar marks to the competitors;
- Fee under license agreements;
- Reimbursement up to 5 mio RUB in case of breach.



Export of education and training programs from Finland to Russia

Export of services which are carried out by Finnish company in Russia (Finnish work force is temporarily located in Russia)

The most recent news and expectations

LinkedIn Case in 2016 - 2017

- The 1st notice in May and blocking in November;
- The court ruled that under art. 1212 of the Civil Code the personal data laws apply to foreign websites targeting Russian market;
- Other laws may apply to foreign websites (consumer protection, advertising, etc).

New cash registers for online retailers in 2017

- Equipment should support online transfer of data to the tax authorities;
- Additional costs for the future periods.

Anti-Sanction: Cross-Border Transfer Restrictions – Amendments to Federal Law in 2017

- Amendments to the Law on the National Payment System;
- If a foreign state introduces restriction on payments via Russian payment systems, the only payment system controlled by Russia may be used for money transfers to such state without opening a bank account;
- This should affect receipt money from Russia, use of Russian operators and payment systems.

Contact Us

Thank you for reading our presentation.
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