



**COUNTRY  
COMPARATIVE  
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# **The Legal 500 Country Comparative Guides**

## **Russia**

# **BLOCKCHAIN**

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This country-specific Q&A provides an overview of blockchain laws and regulations applicable in Russia.

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## RUSSIA BLOCKCHAIN



### 1. Please provide a high-level overview of the blockchain market in your jurisdiction. In what business or public sectors are you seeing blockchain or other distributed ledger technologies being adopted? What are the key applications of these technologies in your jurisdiction?

In general, the Russian government supports the use of new technologies. Blockchain-based and other distributed ledger technologies (DLT) are becoming more common.

The finance industry is most active in using DLTs. In Russia, DLT-based projects are being implemented by large-scale financial institutions and major banks, as opposed to, for example, neobanks and other fintech companies in Europe and the US. The key driver appears to be cost reduction for the traditional business processes. The Russian Federation Central Bank (the **Central Bank**), Russia's finance regulator, supports creating financial services on the basis of DLT with other participants (such as Masterchain) and considers various projects such as electronic mortgages, digital letters of credit and digital bank guarantees. The Central Bank has been very active in the fintech sphere in general (see at <http://www.cbr.ru/fintech/> and [http://www.cbr.ru/collection/collection/file/36952/cbr\\_ir\\_2021-9.pdf](http://www.cbr.ru/collection/collection/file/36952/cbr_ir_2021-9.pdf)).

The Moscow Exchange and several major Russian banks has created the first Russian blockchain operator to develop local DLT-based solutions (see at <https://www.moex.com/n33539/?nt=106>).

The National Settlement Depository, Russia's central securities depository, hosts an e-proxy shareholder voting blockchain-based platform, and has serviced blockchain-backed commercial bonds. Russian registrars use a blockchain-based platform in their transfer-agent activities.

DLT is used in several projects in public sector. For example, the Moscow government used the blockchain

based voting platform during the elections, and its platform for public polls, known as "Active Citizen," is also blockchain-based. Another example is a blockchain platform for the state registration of transactions with real estate.

The Central Bank determined the main directors of development SupTech and RegTech in 2021 - 2023 where DLT is listed among the core technologies to be used in these spheres (see at [https://www.cbr.ru/Content/Document/File/120709/SupTech\\_RegTech\\_2021-2023.pdf](https://www.cbr.ru/Content/Document/File/120709/SupTech_RegTech_2021-2023.pdf)).

There are examples of DLT use in other sectors and private businesses such as education, scientific research, transport logistics and others.

### 2. To what extent are tokens and virtual assets in use in your jurisdiction? Please mention any notable success stories or failures of applications of these technologies.

Tokens and virtual assets are used but not widely. This is because until recently there has been no regulation in Russia and, in general, the government attitude to virtual assets was negative. In the last few years, several laws have been adopted to govern the use of tokens, virtual and other crypto-assets. At present, this legislation requires the token and other virtual assets issuers to localize in Russia to be able to issue and market their products to Russian customers. Purely Russian projects in this sphere are still rare as the applicable laws and regulations in Russian are new and untested. There has been a case where a Russian commercial bank provided a loan to a Russian borrower with Waves tokens used as collateral. So-called Non-Fungible Tokens (NFT) are becoming widely known in Russia. Reportedly, a Russian arts museum is considering whether to use NFTs; and a Russian artist considers auctioning his paintings via NFTs.

There are also few examples when Russian companies

consider issuing asset-backed tokens but in other jurisdictions. Notable examples of proposed token issuances include Atomyze and Tokentrust, projects by Russia's metal producing giant Norilsk Nickel for palladium and other metals - backed tokens; and Russian diamond mining company and a world's leading diamond producer Alrosa's diamond-backed tokens announced by a Singapore Diamundi Pte.

### 3. To what extent has blockchain technology intersected with ESG (Environment, Social and Governance) outcomes or objectives in your jurisdiction?

The Central Bank presented its 30 September 2021 draft of the guidelines for the development of the financial market for 2022 and in 2023 and 2024 (see at [https://www.cbr.ru/Content/Document/File/124658/onrfr\\_project\\_2021-09-30.pdf](https://www.cbr.ru/Content/Document/File/124658/onrfr_project_2021-09-30.pdf)). Under the draft, one of the Central Bank's core goals will be to increase the financial market contributions to achieving the ESG objectives. The draft contains several measures that the Central Bank is proposing to take but they relate to the financial market and institutions as a whole and blockchain-based financial services are not singled out.

### 4. Has COVID-19 provoked any novel applications of blockchain technologies in your jurisdiction?

Yes, in general COVID-19 provoked the expedited adoption of the long-awaited new laws (see below) and the more active use of blockchain technologies in public sector. For example, the Russian Federal Tax Service has launched a blockchain-based platform through which banks may provide interest-free loans for payment of salaries to staff of the companies from industries included in the government list of industries suffered most from the COVID-19 pandemic, and to small and medium-sized enterprises.

### 5. Please outline the principal legislation and the regulators most relevant to the use of blockchain technologies in your jurisdiction. In particular, is there any blockchain-specific legislation or are there any blockchain-specific regulatory frameworks in your jurisdiction, either now or envisaged in the short or mid-term?

There is no law designed to specifically address blockchain technologies. However, there are recently

introduced laws directly relevant for DLT-based projects.

In 2019, Russia amended its Civil Code and introduced the general notions of "digital rights" transacted in an "information system;" which digital rights and information system need to be named in and governed by a separate law.

Then, Russia adopted Federal Law on Attracting Investments with the Usage of Investment Platforms and Introducing Amendments to Several Legislative Acts of the Russian Federation, No. 259-FZ, dated 2 August 2019, (the **Crowdfunding Law**). The Crowdfunding Law is in effect from 1 January 2020. It regulates attracting investments through issuance of so-called utility digital rights (UDRs), among other things.

In July 2020, Russia adopted two important laws, as follows. Federal Law on Digital Financial Assets, Digital Currency and Introducing Amendments to Several Legislative Acts of the Russian Federation, No. 259-FZ, dated 31 July 2020 (the **Digital Financial Assets Law**). The Digital Financial Assets Law is in effect from January 2021, in most part. It regulates issuance of the so-called digital financial assets and digital currency (cryptocurrency). Notably, the Digital Financial Assets Law introduces the definition of a distributed ledger and a node. Further, there is Federal Law on Experimental Legal Regimes in the Sphere of Digital Innovations in the Russian Federation, No. 258-FZ, dated 31 July 2020 (the **Regulatory Sandbox Law**). This law is in effect from the end of January 2021. This law allows to amend or exclude the application of the current legal rules for particular projects tested in a regulatory sandbox

These laws are yet another example of Russia's continued efforts to regulate the use of new technologies in various spheres.

### 6. What is the current attitude of the government and of regulators to the use of blockchain technology in your jurisdiction?

In general, the Russian government supports the use of new technologies. Among other things, it provides state funding for development of certain blockchain-based projects in various industries. The Central Bank is a keen supporter (see above).

### 7. Are there any governmental or regulatory initiatives designed to facilitate or encourage the development and use of blockchain technology (for example, a

## regulatory sandbox)?

The Central Bank has launched a regulatory sandbox for testing innovative financial technologies, including the distributed ledger technology and services on the financial market in 2018

([https://www.cbr.ru/fintech/regulatory\\_sandbox/](https://www.cbr.ru/fintech/regulatory_sandbox/)). The legal basis for operation of the sandbox is the Digital Economy National Program adopted by the Government in 2017 and also the Central Bank' Main Directions for Development of Financial Technologies for 2018-2020, 2018. The sandbox is targeting projects in the spheres of big data and machine learning, artificial intelligence, biometric technologies; and DLT. The sandbox' operation is limited to provide the carve outs from the Central Bank own regulations only and does not expressly limit application of other Russian laws to the sandbox "residents". The Central Bank reported several stable coin projects being tested in the sandbox, but those were not going live yet pending the coming into force of new regulation.

Further, there is a new Regulatory Sandbox Law, in effect from the end of January 2021. This law allows to amend or exclude the application of the current legal rules for particular projects tested in a regulatory sandbox. On 28 October 2020, the Russian government approved the list of new technologies which are suitable for a regulatory sandbox regime. In addition to DLT, it includes artificial intelligence and neuro-technologies, big data technologies, technologies for industrial use, quantum technologies, robotics and sensorics, wireless communications, virtual and augmented reality, Internet of things and industrial digital technologies. Further, in June 2021 the the Regulatory Sandbox Law was amended to include provisions required for the implementation of seven projects approved by the government for the sandbox regime.

## 8. Have there been any recent governmental or regulatory reviews or consultations concerning blockchain technology in your jurisdiction and, if so, what are the key takeaways from these?

The Central Bank is a key governmental think-tank and regulator in the sphere of blockchain and other DLTs. It has not published any new review or consultation papers in the sphere of blockchain technology or cryptocurrencies since February 2018. In October 2020 the Central Bank has published a consultation paper on the potential introduction of the Central Bank Digital Currency (CDBC), or digital rouble. According to the consultation paper, the digital rouble will be a digital form of the national currency and have all features to

serve as money and will be issued by the Central Bank to become yet another form of money in addition to cash and cashless money. The Central Bank is planning to ensure seamless integration between the CDBC and other payment forms and is planning to issue CDBC as tokens on a distributed ledger. The Central Bank invited twelve Russian banks to participate in the first pilot group testing the digital rouble (see at <https://www.cbr.ru/fintech/dr/to>).

## 9. Has any official guidance concerning the use of blockchain technology been published in your jurisdiction?

There is no official guidance concerning the use of blockchain technology. Although there are laws mentioning or contemplating the use of it (such as for example the Digital Financial Assets Law, the Crowdinvesting Law and the Regulatory Sandbox Law). Depending upon a project where the blockchain technology is used these or other laws may apply.

## 10. What is the current approach in your jurisdiction to the treatment of cryptocurrencies for the purposes of financial regulation, anti-money laundering and taxation? In particular, are cryptocurrencies characterised as a currency?

Despite in general it is widely accepted that cryptocurrency is a type of assets which could be owned and transacted with, the current approach is negative. We cannot exclude that the laws and regulations will be amended soon to restrict the use of cryptocurrencies.

The Digital Financial Assets Law introduced the definition of digital currency. It defines digital currency as a coherence of electronic data (digital code or symbol) which is (a) contained in an informational system; (b) offered and could be accepted as a method of payment (other than domestic or foreign monetary currency or international monetary unit) or as an investment; and (c) with respect to which there is no obligor other than an information system operator and/or information system nodes which are only obliged to ensure that digital currency issuance and making and amending) entries in such informational system comply with the information system rules.

The general approach towards cryptocurrencies expressed by the regulator and the legislators continues to be that cryptocurrencies should not be used as means of payment and otherwise substitute national and

foreign currencies. The Digital Financial Assets Law directly prohibits the use of cryptocurrency as means of payment. In February 2021, the Russian Service for Financial Monitoring has launched the service called “Transparent Blockchain” aimed at monitoring transactions with cryptocurrencies.

The Digital Financial Assets Law amended certain Russian laws to expressly state that digital currency should be treated as property. There are court cases that in certain circumstances cryptocurrency should be treated as property; but these court cases were rare and it was unclear whether they were of precedent value. In February 2019, the Russian Supreme Court explicitly stated that virtual assets (cryptocurrencies) acquired as a result of crime-committing activity could be viewed as objects of crimes punishable under article 174 (on legalization (laundering) of funds and other property illegally acquired by other persons) and article 174.1 (on legalization (laundering) of funds and other property acquired by other persons by committing a crime) of the Russian Criminal Code. The Supreme Court specifically noted that this amendment is in line with FATF Recommendation 15: New Technologies.

In general, transactions with cryptocurrencies have been deemed suspicious for many years. The Digital Financial Assets Law amended Federal Law On Counteracting Legalization (Laundering) of Illegal Income and Terrorism Financing, No. 115-FZ, dated 7 August 2001 (**AML Law**), Federal Law on Counteracting Corruption, No. 273-FZ, dated 25 December 2008; and Federal Law on Insolvency (Bankruptcy), No. 127-FZ, dated 26 October 2002. The legal effect of these amendments is significant. For example, under the AML Law transactions with cryptocurrency become subject to AML control similar to transactions with fiat money and securities. By virtue of the amendment to the Federal Law on Counteracting Corruption, transfer of digital currency to a public official would amount to a bribe under certain circumstances. In August 2021, the president has required the government to develop initiatives aimed at checking (with the perspective of counteracting corruption) the ownership of and transactions with cryptocurrencies.

The Ministry of Finance expressed a view that all profits from operations with cryptocurrencies should be subject to personal income tax, and issued two information letters in May 5 and July 6 of 2018. In those letters, the Ministry of Finance specifically noted, among other things, that any economic benefit derived from transactions with cryptocurrencies is taxable and taxpayers must pay income tax (the tax imposed by the Russian Tax Code); the tax base from cryptocurrency sale and purchase transactions should be determined in

roubles as a surplus of income received by the taxpayer from the sale of cryptocurrencies over the total amount of expenditures for the purchase of cryptocurrencies; and the taxpayer must calculate the amount of tax to be paid and file the tax declaration itself.

The Central Bank has also recently announced a view that the restrictions on the use of cryptocurrencies must be expanded; and been working on legislative amendments to implement the restrictions.

### **11. Are there any prohibitions on the use or trading of cryptocurrencies in your jurisdiction?**

The Digital Financial Assets Law expressly prohibits Russian companies, representative offices and branches of international organizations and foreign entities, as well as individuals who are Russian tax residents, to accept digital currency as payment for goods and services. In general, this law only defines the organization of turnover of cryptocurrencies in Russia stating that such turnover should occur with the use of Russian informational infrastructure, and refer to other federal laws that may (would) govern cryptocurrency. In essence, the Digital Financial Assets Law prohibits the use of cryptocurrency as means of payment.

Further, since digital currencies are now treated as property, the Digital Financial Assets Law amended Federal Law on the Prohibition of Certain Categories of Persons to Open and Have Accounts (Deposits), to Store Cash and Valuables in Foreign Banks Located outside the Territory of the Russian Federation, to Own and (or) Use Foreign Financial Instruments”, No. 79-FZ, dated 7 May 2013. By virtue of this law, certain Russian public officials and government and municipal employees and their close relatives are prohibited from possessing or making use of digital currency as well as any digital assets issued in foreign information systems.

### **12. To what extent have initial coin offerings taken place in your jurisdiction and what has been the attitude of relevant authorities to ICOs?**

We are not aware of any purely Russian ICOs so far. There have been several projects with Russian roots launching their ICOs outside of Russia but targeting Russian users. The Central Bank has numerous times expressed its concerns with ICOs as high-risk investments.



### 13. If they are permissible in your jurisdiction, what are the key requirements that an entity would need to comply with when launching an ICO?

Depending how ICO is structured, the Crowdfunding Law and the Digital Financial Asset Law are the relevant laws. Both laws contain similar requirements governing attracting investments through issuance of UDRs and financial digital assets. These assets can be created, transacted and performed in an investment platform only. In essence, this investment platform must be DLT-based, and the Digital Financial Asset Law directly requires this, whereas the Crowdfunding Law does not refer to DLT directly, but some of these requirements for investment platforms for UDRs follow DLT-based technology features.

Importantly, it is obligatory to use a Russian investment platform whose operator is included in the public register maintained by the Central Bank. Both laws contain certain requirements to an investment platform operator. In essence, it must be a Russian entity regulated by, and reporting to, the Central Bank, for example, a finance institution, securities custodian or securities exchange or another organization which complies with the Central Bank's requirements. Both laws contain strict requirements for operators and their directors and officers. Further, there are certain restrictions on persons directly or indirectly owning or controlling 10% or more in an operator. For example, such person cannot be an entity registered in a blacklisted jurisdiction or which lost its banking or financial institution license, or a person having criminal convictions for economic crimes or crimes against the state, subjected to disqualification, or listed in terrorist and alike lists. Similar rules apply to the directors and officers.

Generally, the use of DLT-based technologies has been heavily criticized for the lack of transparency and AML concerns. The new laws seem to address this concern. For example, an information system operator must have internal control and risk management departments and is subject to the AML laws. The Central Bank monitors the operators' compliance with the AML laws. Several breaches of the AML Law requirements within a single year may lead to expulsion of an operator from the register of operators by the Central Bank.

Further, under the Digital Financial Assets Law, all transactions with DFAs (including exchange of one type of DFA into another as well as with DFAs issued in a foreign information system) must be done through a so-called digital financial assets exchange operator listed in a public register maintained by the Central Bank. An

exchange operator facilitates transactions with DFAs by collecting and matching bids or participates in such transactions as a party in the interests of third parties. Similarly to an investment platform operator, it must be a Russian entity regulated by, and reporting to, the Central Bank, such as, for example, a finance institution, securities exchange or another organization which complies with the Central Bank's requirements. There are strict requirements for operators and their directors and officers. There are certain restrictions on persons directly or indirectly owning or controlling 10% or more in an operator. For example, such person cannot be an entity registered in a blacklisted jurisdiction or which lost its banking or financial institution license, or a person having criminal convictions for economic crimes or crimes against the state, subjected to disqualification, or listed in terrorist and alike lists. Similar rules apply to the directors and officers. These requirements have been further detailed in several directives adopted by the Central Bank in the period from December 2020 to February 2021.

### 14. Is cryptocurrency trading common in your jurisdiction? And what is the attitude of mainstream financial institutions to cryptocurrency trading in your jurisdiction?

Cryptocurrency trading is not common in Russia. In general, the use of cryptocurrency as means of payment is prohibited. Under article 27 of the Federal Law on the Central Bank of the Russian Federation, No 86-FZ, dated 10 July 2002, the only lawful currency of the Russian Federation is ruble, the Central Bank is the only permitted issuer of national currency, and issuance in Russia of any other currency units or money surrogates is prohibited. Furthermore, the Central Bank believes that circulation of cryptocurrencies poses significant risk for the financial system, anti-money laundering regulations and consumer protection due to non-transparent nature of transactions and anonymity. Reportedly, the Central Bank started to work with Russian banks and other regulated financial institutions with the aim to restrict processing payments to or from crypto-exchanges. It also expressed a view that non-qualified investors must be completely banned from engaging in transactions with cryptocurrencies.

### 15. Are there any relevant regulatory restrictions or initiatives concerning tokens and virtual assets other than cryptocurrencies (e.g. trading of tangible property represented by cryptographic

## tokens)?

The Digital Financial Assets Law and the Crowdfunding Law are the key laws.

The Digital Financial Assets Law introduces regulation to issuance and trading of digital financial assets (**DFAs**). DFAs are defined as digital rights that include (a) monetary claims; (b) ability to exercise rights attaching to issuance securities; (c) rights to participate in the capital of a non-public joint stock company; and (d) right to require transfer of issuance securities. The Digital Financial Assets Law introduces regulation to issuance and trading of the DFAs (including tangible property represented by tokens). The DFAs can be issued in a Russian information system maintained by a Russian information system operator and transacted through a Russian exchange operator (see above). Issuance of securities underlying DFAs should comply with Federal Law on Securities Market, No 39-FZ, of 22 April 1996. Such securities could only be shares on non-public stock companies or securities convertible into such shares subject to all limitations that apply to issuance of shares in a non-public stock company. For example, the securities could be issued only through closed subscription (i.e., offered to a limited number of persons designated in the issuance decision). The issuance of DFAs must comply with the Digital Financial Assets Law. The Central Bank may establish the requirements that certain DFAs can be offered to qualified investors only or the monetary cap on buying DFAs by non-qualified investors.

The Crowdfunding Law regulates attracting investments through issuance of so-called utility digital rights (**UDRs**). UDRs are digital rights that entitle their holder to: (a) claim the transfer of asset(s); (b) claim the transfer of intellectual property (or, in the Russian legalese, results of intellectual activity) or of rights to use intellectual property; and (c) demand the performance of works or the provision of services. Transactions with assets subject to state registration or notarization cannot underline the UDRs. It means that, for example, UDRs cannot be used for transacting with immovable or similarly regulated property (such as buildings, lands, aircrafts or ships) or interests in a Russian limited liability company. Similarly to the DFAs, UDRs can be only issued in a Russian information system maintained by a Russian information system operator (see above). In general, the Crowdfunding Law allows using an investment platform for three types of investing: (a) providing loans; (b) purchasing securities issued through an investment platform; and (c) purchasing UDRs. It treats investments via an investment platform as high-risk and requires an operator to warn investors about the high-risk nature of

investments.

Further, the Crowdfunding Law introduces certain limitations on investments. Certain types of securities cannot be issued and traded with via an investment platform. These include securities designated to qualified investors only (for example, investment units of closed-end investment funds such as hedge funds, venture investment funds, credit and direct investment funds and other securities designated as such in the offering document, securities of non-Russian companies), securities issued by banks or non-bank financial organizations, or structured bonds. To be eligible for trading via an investment platform, the securities should be issued only through closed subscription (in other words, they could be offered to a limited number of persons designated in the issuance decision).

The Crowdfunding Law contains caps on amounts to be attracted. In general, during one calendar year a person attracting investments can raise up to such amount which, if raised through a securities issuance, would not require an issuer to do the prospectus under the Russian securities market laws. Currently, it is one billion roubles (or ca. US\$ 13.3 million if at the rate of 75 roubles for one US\$), during one calendar year. This cap does not apply to funds raised through purchase of UDRs issued by public joint stock companies. Further, the Crowdfunding Law imposes a cap on any particular individual to invest: up to 600,000 roubles (or ca. US\$ 8,000 if at the rate of 75 roubles for one US\$) in one calendar year. This cap apply to all investments that this individual makes through all investment platforms it invests through. This cap does not apply to qualified investors or investors purchasing UDRs sold by public stock companies.

## 16. Are there any legal or regulatory issues concerning the transfer of title to or the granting of security over tokens and virtual assets?

Under the Digital Financial Assets Law, transactions with DFAs must be done through an exchange operator only (see above). Among other things, an exchange operator must adopt and agree with the Central Bank the rules for DFA exchange. These rules must include: (a) the procedure for making transactions with DFAs; (b) the types of DFAs transactions with which could be carried out through the operator; (c) the procedure for interacting between the exchange operator and the information system operators in which the DFAs have been issued; (d) requirements for protection of information and operational reliability; and (e) cases when transactions with DFAs are carried out upon

occurrence of specific events without a specific intent expressed by a party to the transaction. These rules must be made publicly available.

**17. How are smart contracts characterised within your legal framework? Are there any enforceability issues specific to the operation of smart contracts which do not arise in the case of traditional legal contracts?**

Smart contracts is a novel concept of Russian law introduced into the Russian Civil Code only in 2019. Smart contracts represent a form of transaction, in addition to other forms set forth by the Russian Civil Code, such as oral, written or notarial form. The Civil Code states that an electronic expression of will (by transmitting a signal including via the internet) qualifies as a written form of transaction, and recognizes the automated performance of obligations as valid. As such, smart contracts are deemed to be as enforceable as traditional contracts. However, this approach has not been widely tested in practice.

**18. To what extent are smart contracts in use in your jurisdiction? Please mention any key initiatives concerning the use of smart contracts in your jurisdiction, including any examples relating to decentralised finance protocols.**

The use of new technology for the formation and implementation of “smart contracts” is of great interest in Russia and smart contracts have already been used in certain areas. Still, in many respects Russia remains a tradition-bound market in which physical documents are essential. In particular, the transition to distributed ledger systems and virtual contracts will conflict with existing, centralized registers that are now legally required for certain activities and transactions.

**19. Have there been any governmental or regulatory enforcement actions concerning blockchain in your jurisdiction?**

No, there has been no regulatory enforcement actions in Russia concerning blockchain so far. This is mostly due to the fact that blockchain projects are rare and not well developed and common.

**20. Has there been any judicial consideration of blockchain concepts or smart contracting in your jurisdiction?**

Examples of judicial consideration of blockchain concepts are still rare in Russia. One example of court’s involvement in a blockchain-based solution was the accession of the Russian Intellectual Property Rights Court (a specialized appellate forum for hearing the IP-related disputes) to a blockchain platform for management of IP rights IPChain. The court was reported to place its decisions in the blockchain in machine-readable form and amend information on owners of certain IP objects contained on the IPChain. However, there have been no further developments or other examples of judicial involvement in the blockchain sphere.

**21. Are there any other generally-applicable laws or regulations that may present issues for the use of blockchain technology (such as privacy and data protection law or insolvency law)?**

Russia has a set of generally applicable laws which should be taken into account for the potential projects using blockchain technology. Laws in the sphere of data protection, Internet regulation and consumer protections are of notable mentioning.

Russian data protection laws generally require non-Russian service providers to initially collect and store personal data of Russian citizens in Russia (the data localization requirement). Failure to comply with this data localization requirement may result in blocking the service in Russia. Therefore, if a blockchain based project is collecting personal data of Russian citizens, it must comply with this data localization requirement.

Further, Russian law distinguishes certain types of persons participating in internet and other digital activities, and regulates their status. The key law is Federal Law on Information, Informational Technologies and Protection of Information, No. 149-FZ, dated 27 July 2006 (the **Information Law**), Under article 10.1 of the Information Law, an information dissemination organizer (an IDO) is an owner or operator of any virtual resource (web-site, web-page or software) which allows users to interact with each other (send messages, comments, images, other communications) privately or publicly (including via chats, forums or comments posting). A non-Russian person could be an IDO if its resource targets the Russian audience. IDOs must comply with certain obligations provided in the Information Law. The



key obligations are to register with, and send notifications to, Federal Service for Supervision of Communications, Information Technology and Mass Media of the Russian Federation (aka Roskmonadzor), a Russian Internet and data privacy regulator; to store certain data in Russia; and to allow Russian security authorities to access the data. Therefore, if any blockchain based solution or application allows users to communicate with each other, the owner of the solution may be required to comply with the IDO rules.

Use of blockchain technology (for example as a service) targeting Russian consumers will be subject to the Russian consumer protection laws. Under article 37 of Law of the Russian Federation on Protection of Consumer Rights, No. 2300-1, dated 7 February 1992, consumers are entitled to make payments in fiat money in cash or by wireless transfer. Arguably, this means that Russia users must always be offered an opportunity to pay in roubles in addition to payment by, or in exchange for, tokens or other crypto-assets.

**22. Are there any other key issues concerning blockchain technology in your jurisdiction that legal practitioners should**

**be aware of?**

Digital technologies are naturally Internet-bound and therefore could be subject to various Internet regulating initiatives of the Russian lawmakers including the initiatives to substitute foreign software and equipment used in the so-called critical information infrastructure with Russian one.

The Russian competition law may also be amended and these amendments may have an impact on blockchain projects. The government and the Central Bank will be regulating the so-called ecosystems including financial ecosystems. The FAS presented a draft law to amend the Federal Law on Protection of Competition, No. 135, dated 26 July 2006 (the so-called “fifth antimonopoly package”) as a response to digitalization of the economy. The draft law proposes to introduce specific criteria to determine whether an owner of a ‘digital platform’ (i.e., a resource which is used to organize and provide interaction between sellers and buyers) has a dominant market position. Among other things, it suggests application of the “network effects” test, and the digital platform owner may be viewed as dominant if the network effects of its platform allow for a certain influence over the market.

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