



**Moscow Regional Bar Association  
«Linnikov & Partners»**

**January 19, 2016**

**To whom it may concern**

**STATEMENT**

For the purposes of proper evaluation of substantial facts and information as to the legal grounds and particular aspects of business of the Moscow Regional Bar Association «Linnikov & Partners» (hereinafter referred to as MBRA «Linnikov & Partners» or «the Association») and attorneys-members thereof, please be advised of the following.

**1. Legal grounds of business of MBRA «Linnikov & Partners» and status of attorneys –members of the Association.**

In accordance with the Federal Law of the № 63-FZ of May 31, 2002 «On Attorneys and Attorneys' Activity in the Russian Federation» (hereinafter – «the Attorneys' Act» or «the 63-FZ Law») *MRBA «Linnikov & Partners» is a membership-based non-profit organization* constituted and operating in compliance with the Constitution of the Russian Federation, Civil Code of the Russian Federation, the Attorneys' Act, Federal Law «On non profit organizations», other applicable laws and regulations, and the Statute of the Association.

Federal Law № 7-FZ of January 12, 1996 «On non-profit organizations» defines such organizations as entities that do not have the generation of profit as the primary objective of their activity and do not distribute profits between their members (stakeholders).

The Attorneys' Act defines the attorneys' activity as qualified legal assistance rendered by persons properly qualified as attorneys under applicable legislation to individuals and legal entities for the purposes of protection of their rights and lawful interests and assuring them equal access to justice; *the attorneys' activity is not an entrepreneurial (commercial) activity.*

The 63-FZ Law defines an attorney as «an individual properly qualified under this Law, granted with the attorney status, and authorized to exercise the attorney's professional activity». It is prohibited for the attorneys to enter into labor agreements as employees, with the only exception granted in respect to academic and creative activities. It is also expressly prohibited for the attorneys to serve as government officials of the Russian Federation, subjects of the Russian Federation, local authorities and/or assume other public offices or civil service

functions. The attorneys are allowed to combine their professional activity with positions of managers of attorneys' professional associations, as well as with elected positions with the Attorneys' Chambers of the Russian Federation, subjects of the Russian Federation, Russian and/or international professional associations of attorneys.

***MRBA «Linnikov & Partners» is a membership-based non-profit professional association and, therefore, has no shareholders (beneficial owners).*** The Assembly of members constitutes the superior management body of the Association. On current basis the Association is run by the Council – a collective executive body presided by the Chairman – Chief Executive Officer of the Association.

## **2. Attorney-client privilege and confidentiality.**

The 63-FZ Law defines (art. 8) defines the attorney-privileged confidential information as ***all and any information connected to the rendering of legal assistance by the attorney to his/her client.*** An attorney may not be subpoenaed and questioned as a witness on facts and circumstances that came to his/her knowledge in connection with the client engaging the attorney's services or in course of rendering of legal assistance to the client.

Article 6 of the Attorney's Code of Professional Ethics adopted by the All-Russian Assembly of Attorneys of March 31, 2003 states that ***protection of the privileged nature and confidentiality of the attorney-client relationship is an undisputed priority of the attorney's professional activity.*** The duration of the attorney-client privilege and confidentiality is not limited in time. The obligation to uphold and protect the client privilege and confidentiality equally binds all attorneys that lead joint practices and are bound by partnership agreements regardless of which of the partners is engaged in a relationship with each particular client. The attorney privilege also extends to all aids, attorneys-in-training and/or other personnel of the professional association of attorneys engaged in the rendering of legal services to clients.

## **3. Particular aspects of the legal services agreements under Russian law.**

In accordance with art. 25 of the № 63-FZ Law ***all agreements with clients are made by the attorneys themselves and conditions thereof: subject matter, fee amounts, duration, etc. are defined at the mutual consent of the attorney and the client.*** Therefore it is the attorneys of MBRA «Linnikov & Partners» that collectively or individually constitute a party to the legal services agreements with clients and not the Association as a legal person.

## **4. Taxation of fees. VAT exemption.**

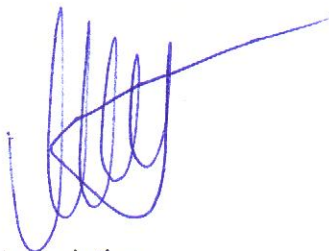
A complete list of persons subject to VAT is set by art. 143 of the Tax Code of the Russian Federation (TCRF). This list does not include attorneys and/or professional associations of attorneys.

In addition to the above sub-clause 14 clause 3 art. 149 TCRF directly states that services rendered by professional associations of attorneys, attorneys' bureaus and attorneys' chambers of

the subjects of the Russian Federation and the Federal Chamber of Attorneys are fully VAT exempt. Therefore the attorneys do not bear the obligation to calculate and transfer VAT amounts on fees collected from clients to the state budget of the Russian Federation. This position has been upheld by the Ministry of Finance of Russia in the letter of March 10, 2006 № 03-04-07/09 and in the letter of March 11, 2006 № 03-04-07/10 addressed by the Ministry of Finance to the Federal Chamber of Attorneys of Russia.

Best regards,

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