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Federal Law “About the procedure for forming and use of the target capital of non-profit organizations”

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Section 1. General Provisions**

Article 1. Regulation Scope of this Federal Law

1. This Federal law governs relations arising while collecting monetary funds for forming of the target capital of non-profit organizations, forming and dissolution of endowment of non-profit organizations, discretionary management of property constituting endowment of non-profit organizations, use of profits gained from discretionary management of property constituting endowment of non-profit organizations, and designated for financing of statutory activity of non-profit organizations, as well as determines peculiarities of legal status of non-profit organizations forming endowment. Features of forming endowment of non-profit organizations using budgetary funds and peculiarities of discretionary management of it using budgetary funds in this case may be other federal laws.

2. Effect of this Federal law shall not apply to relations connected with receipt by non-profit organizations of donations, as well as with activity of non-profit organizations gaining income, if non-profit organizations do not form a target capital.

Article 2. Main Terms Used in this Federal Law

For the purposes of this Federal Law following main terms are used:

- 1) Target capital of non-profit organization (hereinafter also – endowment) –a part of property of non-profit organizations, formed by donations made by donator (donators) in view of monetary funds, and transferred to discretionary management of administration company for gaining revenue used for financing of statutory activity of non-profit organization or other non-profit organizations, according to the procedure, provided for by this Federal law;
- 2) Income from endowment – revenue from discretionary management of property constituting endowment, as well as part of property constituting endowment to be determined in accordance with this Federal law, and to be transferred to receivers of revenue from endowment;
- 3) Income from discretionary management of property constituting endowment – amount to be determined as increase of the cost of net assets as a result of discretionary management of property constituting endowment for accounting period;
- 4) Non-profit organization – owner of endowment –non-profit organization incorporated in legal organizational form of a fund,independent

non-profit organization, non-governmental organization, non-governmental foundation or religious organization;

5) Specialized organization of endowment management (hereinafter – specialized organization) – non-profit organization – owner of endowment, incorporated in legal organizational form of a fund exclusively for target capital formation, use, allocation of income from endowment in favor of other receivers of revenue from endowment according to the procedure, provided for by this Federal law;

6) donators – individuals or legal entities making donations to non-profit organizations, provided for by this Federal law, for endowment forming by transfer of monetary funds into the ownership of non-profit organizations;

7) receivers of revenue from endowment – non-profit organizations, other than state corporations, political parties and civil society movements. Receiver of income from endowment of non-profit organization – owner of endowment, not being a specialized organization, is this non-profit organization only;

8) administration company–joint-stock partnership, limited (additional) liability company, incorporated in accordance with the legislation of the Russian Federation, with license for carrying out activity on management of securities or license on carrying out activity on management of investment funds, mutual investment funds and non-governmental pension funds.

Articles 3. Purposes of Forming of Target Capital and Use of Income from Target Capital

1. Endowment formation and use of income from endowment may be made for the purposes of use in the field of education, science, healthcare, culture, physical culture and sport (other than professional sport), art, archival affairs, social care (support).

2. Target capital formation and use, allocation of income from endowment for the purposes, other than provided for by paragraph 1 of this article, shall not be permitted.

3. Non-profit organization –owner of endowment shall be entitled to use not more than 15 percent of the amount of income from discretionary management of property constituting endowment for general and administrative expenses, connected with forming o target capital and carrying out activity to be financed by income from endowment, or not more than 10 percent of the amount of income from endowment, received for accounting year. These expenses, particularly, include payment for lease of premises, buildings and structures, expenses for purchase of fixed assets and consumable materials, audit expenses, payout of salary to employees of a non-profit organization, expenses for management of non-profit organization or its certain structural subdivisions, expenses for purchase of services on management of a non-profit organization or its separate structural subdivisions.

Section 2. Procedure for Forming of Target Capital

Article 4. Forming of Target Capital

1. Donators transfer monetary funds into the ownership of non-profit organization for endowment formation in currency of the Russian Federation or foreign currency on the basis of donation agreement or testament in accordance with norms of the civil legislation on donation or inheritance subject to peculiarities, provided for by this Federal law.
2. Non-profit organization shall not be entitled to transfer its own monetary funds for forming of its target capital (replenishment of its formed target capital).
3. Transfer of monetary funds both for forming of target capital, as well as for replenishment of target capital formed by non-profit organization may be provided by donation agreement, entered between donator and non-profit organization, or testament in accordance with terms and conditions of donation agreement or testament.
4. If specific purpose and (or) aims of application of income from endowment, term, for which target capital is formed, are not stipulated by donation agreement, as well as if receivers of income from endowment are not determined by donation agreement with specialized organization, then specific purpose and (or) aims of application of income from endowment, term, for which a target capital is formed, and receivers of income from endowment are determined by council on use of endowment of non-profit organization, with which donation agreement is entered into, according to the procedure, determined by this Federal law and charter of non-profit organization.
5. If specific non-profit organization is determined in testament as successor of monetary funds, designated for endowment formation, but specific purpose and (or) aims of application of income from endowment, are not determined, the term, for which target capital is to be formed, as well as if specialized organization is determined as a successor, but receivers of income from endowment are not appointed, then specific purpose and (or) aims of application of income from endowment, the term, for which a target capital is to be formed, and receivers of income from endowment shall be determined by council on use of target capital of non-profit organization being a successor under testament, according to the procedure, established by this Federal law and charter of non-profit organization.
6. If there is no indication in donation agreement or testament that monetary funds are transferred for endowment formation, relations arising concerning these monetary funds shall be governed by other federal laws.

Article 5. Rights of Donators

1. Donator, its successors or other assignees shall be entitled to obtain information concerning formation of target capital, income from discretionary management of endowment, as well as of concerning application of income from endowment, to which monetary funds are deposited by donator, according to the procedure, determined by this Federal law.
2. Donator, its successors or other assignees shall be entitled to demand revocation of

donation, if this donation transferred for endowment formation is used not in compliance with purpose, specified in donation agreement, if change of this purpose is made with breach of rules, provided for by clause 4 of the article 582 of the Civil Code of the Russian Federation.

3. Donator, its successors or other assignees shall be entitled to demand revocation of donation, transferred to endowment formation, only after giving to non-profit organization, with which donation agreement is entered into, a written notice of necessity of use of donation, transferred for endowment formation, in compliance with purpose, specified in donation agreement, or necessity of elimination of violations within reasonable term, as provided for by clause 4 of the article 582 of the Civil Code of the Russian Federation.

4. Amount of claims of donator, its successors or other assignees against non-profit organization, with which donation agreement is entered into, in the event of donation revocation may not exceed the amount of donation.

Article 6. Requirements for Non-Profit Organizations – Owners of Endowment

1. Non-profit organization forming endowment shall be obliged to create a council on use of target capital. Non-profit organization shall not be entitled to transfer monetary funds into discretionary management before approval by highest management body of non-profit organization of staff and personnel composition of council on use of target capital.

2. Non-profit organization – owner of endowment, other than specialized organization, shall be entitled to carry out types of payment activity, determined only by Government of the Russian Federation.

3. Specialized organization shall be entitled to carry out activity connected exclusively with endowment formation, use, allocation of income from endowment in favor of other receivers of revenue from endowment, according to the procedure, provided for by this Federal law. Sources of forming of property of specialized organization may be donations and receipt of property under procedure of inheritance for formation of endowment, regular and nonrecurrent receivables from founders of specialized organization, voluntary property asset contributions, as well as donations and receipt of property according to the procedure of inheritance for the purposes, not connected with endowment formation.

4. Non-profit organization shall be entitled to form several endowments on the basis of separate donation agreements, testaments, as well as in the event, if different purposes of endowment formation are determined by donation agreement.

5. Nonprofit organization shall be obliged to maintain separate accounting of operations connected with receipt of monetary funds for endowment formation, transfer of monetary funds constituting endowment into discretionary management by administration company, as well as with application, allocation of income from endowment. For making settlements connected with receipt of monetary funds for endowment formation, transfer of monetary funds constituting

endowment into discretionary management by administration company, as well as with use, allocation of income from endowment, non-profit organization opens a separate banking account.

6. Annual accounting statements of non-profit organization connected with endowment formation, application, allocation of income from endowment shall be subject to annual mandatory audit, if balance value of property constituting endowment exceeds RUB 20 million as of end of accounting year.

7. Non-profit organization formed several endowments shall be obliged to maintain accounting of all transactions connected with receipt of monetary funds for forming of target capitals, transfer of monetary funds constituting target capitals into discretionary management of administration company, as well as with use, allocation of income from endowments, in respect of each endowment separately.

8. Non-profit organization shall not be entitled to use and dispose of monetary funds received for endowment formation (other than its crediting on deposit accounts in credit institutions) before its transfer into discretionary management of administration company, with the exception of case, provided for by paragraph 12 of this article.

9. Non-profit organization shall be obliged to transfer monetary funds within two months from the date, when amount of received by non-profit organization of monetary funds for endowment formation will be RUB 3 million, into discretionary management of administration company. From the date of transfer of monetary funds into discretionary management of administration company endowment shall be deemed formed.

10. If after transfer of monetary funds into discretionary management of administration company in favor of non-profit organization additional donation are made in view of monetary funds for endowment formation or replenishment of formed endowment, non-profit organization shall be obliged to transfer these monetary funds into discretionary management of administration company within 10 days from the date of its receipt.

11. Minimum term, for which endowment is to be formed, shall be 10 years, unless otherwise provided by this Federal law.

12. If total amount of received donations does not exceed RUB 3 million within one year from the date of receipt of the first donation on banking account of non-profit organization for endowment formation or if council on use of endowment is not created within the same term, non-profit organization shall not be entitled to transfer mentioned donations into discretionary management. In this case target capital shall not be formed and non-profit organization shall be obliged to refund received monetary funds to donator before expiration of financial year, in which the term for endowment formation is lapsed, unless otherwise provided by donation agreement, or if monetary funds are received by non-profit organization under the procedure of inheritance.

Article 7. Requirements for Receiver of Income from Endowment

1. Expenses of receiver income from endowment financed by income from endowment, and expenses financed by other sources shall be subject to separate accounting.
2. Bookkeeping accounting and accounting statements of receiver of income from endowment, non-owner of endowment, shall be subject to obligatory annual audit in respect of use of income from endowment, if the amount of financing of this receiver of income from endowment using income from endowment is more than RUB 5 million within an accounting year.

Article 8. Highest Management Body of Non-Profit Organization –Owner of Endowment

1. The highest management body of non-profit organization – owner of endowment is to be formed according to the procedure, provided for by legislation of the Russian Federation.
2. Authorities of the highest management body of non-profit organization – owner of endowment, in addition to authorities provided for by other federal laws, also include:
 - 1) Making a resolution on formation, dissolution of endowment;
 - 2) Determination of purposes, for achievement of which non-profit organization is entitled to form a target capital;
 - 3) Approval of annual report and annual accounting statements concerning endowment formation, use, allocation of income from endowment;
 - 4) Approval of financial schedule of use, allocation of income from endowment (hereinafter– financial schedule of non-profit organization) and making amendments to this financial schedule;
 - 5) Appointment of administration company and audit firm;
 - 6) Passing a resolution on public collection of monetary funds and approval of standard form of donation agreement to be entered into with donators upon public collection of monetary funds for replenishment of formed target capital;
 - 7) Approval of staff and personnel composition of council on use of endowment;
 - 8) Other issues, provided for by this Federal law.

Article 9. Council on Use of Endowment

1. Non-profit organization – owner of endowment shall be obliged to create council on use of target capital. Procedure for formation of council on use of endowment and its authorities are determined by incorporation documents of non-profit organization in accordance with this Federal law.
2. Supervisory board, procedure of formation and operation of which is to be determined by charter of specialized organization in accordance with legislation of the Russian Federation and standards of this Federal law governing activity of council on use of endowment, fulfills functions of council on use of endowment in specialized organization.
3. Non-profit organization formed several endowments shall be entitled to create council on use of each endowment.
4. Authorities of council on use of endowment include:
 - 1) Preliminary approval of financial schedule of non-profit organization and

making amendments thereto;

2) Determination of purpose and aims of use of income from endowment, as well as receivers of income from endowment, the term, for which a target capital is formed, volumes of payouts using income from endowment, periodicity and procedure for its making in cases, unless mentioned conditions determined by donation agreement or testament;

3) Preliminary approval of standard form of donation agreement to be entered into with donators upon public collection of monetary funds for replenishment of target capital;

4) Approval of internal document governing the procedure for control over compliance with financial schedule of non-profit organization, including the procedure and terms of consideration of complaints made, applications and statements, forms and terms for submitting reporting documents;

5) Preparation of proposals on authorities of council on use of target capital and its submitting to the highest management body of non-profit organization for approval;

6) Control over compliance with financial schedule of non-profit organization and preparation of proposals on making amendments thereto;

7) Other authorities, provided for by this Federal law and charter of non-profit organization.

5. Council on use of target capital shall be formed among representatives of non-profit organization – owner of endowment, representatives of receivers of income from endowment, donators (their representatives), individuals and representatives of legal entities deserving well of society, authority and (or) achievements in the field of activity consistent with purposes of activity of non-profit organization. Two and more persons being representatives of one legal entity or representatives of different legal entities being affiliates may not be included to the composition of council on use of target capital. This restriction shall not apply to representatives of non-profit organization – owner of target capital. Representatives of non-profit organization – owner of endowment may constitute not more than one third of the composition of council on use of target capital.

6. Donator, amount of donation of which is more than 10 percent of balance value of property constituting endowment as of the last accounting date, shall be entitled to demand to include itself or its representative into the composition of council on use of target capital. In this case the highest management body of non-profit organization shall be obliged to pass a resolution on inclusion of this donator or its representative into the membership of council on use of endowment within one month from the date of receipt of relevant request of donator, provided that this inclusion is consistent with paragraph 5 of this article.

7. Non-profit organization – owner of endowment shall not be entitled to make payment of remuneration to members of council on use of endowment for performance of functions assumes on them.

8. Meeting of council on use of endowment is legitimate if more than half of members of this council are present at this meeting. Resolution of council on

use of endowment shall be passed by majority of votes of members attending this meeting.

Article 10. Reorganization and Liquidation of Non-Profit organization –Owner of Endowment

1. Reorganization and liquidation of non-profit organization – owner of endowment shall be made according to the procedure, established by legislation of the Russian Federation.
2. Non-profit organization – owner of endowment may not be reorganized into business entity or partnership.
3. Upon liquidation of non-profit organization – owner of endowment property constituting a target capital shall be used for the purposes, determined by donation agreement or testament, and in cases, if these purposes are not stipulated by donation agreement or testament—for the purposes, determined by resolution of council on use of endowment.

Article 11. Public Collection of Monetary Funds for Replenishment of Formed Endowment

1. Non-profit organization shall be entitled to declare of public collection of monetary funds for replenishment of formed target capital (hereinafter also—public collection of monetary funds).
2. Public collection of monetary funds for replenishment of formed endowment shall be made on the basis of standard form of donation agreement, previously approved council on use of endowment and approved by highest management body of non-profit organization.
3. In addition to subject matter of agreement, the following shall be indicated in standard form of donation agreement:
 - 1) purposes, for achievement of which income from endowment will be used;
 - 2) procedure of disposal of endowment upon its dissolution in cases, provided for by this Federal law;
 - 3) number of banking account of non-profit organization, on which donations may be transferred;
 - 4) address of site on the Internet, used by non-profit organization for posting information, provided for by this Federal law.
4. Upon public collection of monetary funds donators accept conditions of standard form of donation agreement only by integrating with this agreement generally. Donators – individuals may enter into this agreement by transfer of monetary funds on banking account, specified in standard form of donation agreement.
5. In the event of public collection of monetary funds for replenishment of endowment, non-profit organization shall be obliged to ensure a free access for any interested persons to following documents and information for familiarization:
 - 1) With charter of non-profit organization and document evidencing the fact of making entry concerning non-profit organization into the unified state register of legal entities;
 - 2) With data concerning address (registered address) standing

executive body of non-profit organization;

3) With standard form of donation agreement, approved by highest management body of non-profit organization;

4) With financial schedule of non-profit organization;

5) With data concerning staff and personnel composition of council on use of endowment;

6) With data concerning administration company and audit firm with indication of its names, addresses (registered addresses) of its standing executive bodies;

7) With information concerning amount of general and administrative expenses of non-profit organization, concerning share of mentioned expenses financed out of income from endowment in accordance with this Federal law;

8) With report on forming of target capital, on use, allocation of income from endowment for three last accounting years or, if from the date of endowment formation less than three years have passed, for each expired accounting year from the date of its forming.

6. Documents and information, provided for by paragraph 5 of this article, shall be posed by non-profit organization – owner of endowment on site on the Internet within following terms:

1) Upon declaration of public collection of monetary funds for replenishment of formed endowment –simultaneously with declaration on public collection of monetary funds;

2) Upon approval of mentioned documents or amendments made thereto or change in mentioned following declaration on public collection of monetary funds for replenishment of formed endowment –not later three days following the date of approval of respective document or after the date of change in relevant information.

Article 12. Accounting of Non-Profit Organization – Owner of Endowment

1. Non-profit organization – owner of endowment shall be obliged to prepare and approve annual report of endowment formation and on use, allocation of income from endowment not later six months following expiration of accounting year. In the event if this non-profit organization has formed several endowment, mentioned annual report shall be prepared in respect of each formed endowment.

2. Annual report on endowment formation and on use, allocation of income from endowment should contain following information:

1) Concerning the cost of property being in discretionary management of administration company under contract for discretionary management of property constituting endowment as of the end of accounting year;

2) Concerning amount of monetary funds received for formation and replenishment of target capital for accounting year;

3) Concerning income from discretionary management of property constituting target capital for accounting year;

4) Concerning application of income from endowment for accounting year with indication of total amount of monetary funds, designated for general and administrative expenses of non-profit organization, as well as total amount of monetary funds, designated for

receivers of income from endowment;

5) Concerning total amount of expenses of administration company connected with discretionary management of property constituting endowment for accounting year, as well as concerning amount of remuneration paid to administration company carrying out discretionary management of property constituting endowment;

6) Concerning violations discovered for accounting year upon forming of target capital, as well as upon use, allocation of income from target capital.

3. Annual report on formation of endowment and on use, allocation of income from endowment shall be posted on site on the Internet used by non-profit organization for posting information, provided for by Federal law, within 10 days from the date of approval of this report or making amendments thereto.

Article 13. Procedure for Use of Income from Endowment

1. Income from endowment shall be applied in accordance with purposes, provided for by this Federal law, charter of non-profit organization – owner of endowment, donation agreement or testament or in cases, provided for by this Federal law, resolution of council on use of endowment.

2. Application of income from endowment shall be made by non-profit organization in accordance with financial schedule of non-profit organization.

3. Financial schedule of non-profit organization shall be approved by highest management body of non-profit organization following its prior concordance with council on use of endowment. In the event if target capital of non-profit organization is formed using donations of one donator, financial schedule of non-profit organization shall be also agreed with this donator, unless otherwise provided by donation agreement.

4. Non-profit organization shall be entitled to spend a part of property constituting endowment, but not more than 10 percent of balance cost of property constituting target capital per year, unless prohibited by donation agreement or testament and provided for by financial schedule of non-profit organization.

5. Non-profit organization shall be entitled to use not the whole income gained from discretionary management of property constituting endowment, on the condition of compliance with obligations under donation agreements, conditions of testaments, and in cases, provided for by this Federal law, resolutions of council on use of target capital. Provided, however, this amount of unexpended income from discretionary management of property constituting target capital may not be more than 50 percent of this income for two years in succession.

Article 14. Dissolution of Endowment

1. Target capital shall be subject to dissolution in following cases:

1) Achievement of purposes or occurrence of conditions, provide for by donation agreement, testament or in cases, provided for by this Federal law, resolution of council on use of endowment;

2) Expiration of term, for which endowment has been formed, in accordance with donation agreement, testament or in cases, provided for by this Federal law, resolution of council on use of endowment;

- 3) Passing a resolution on reorganization of non-profit organization – owner of endowment, if non-profit organizations, incorporated as a result of reorganization, are not complied with requirements of this Federal law;
 - 4) Passing a resolution on liquidation of non-profit organization – owner of endowment;
 - 5) If cost of net assets as a result of discretionary management of property constituting endowment is decreased according to results of three consecutive accounting years more than for 30 percent without regard to application of monetary funds, provided for by paragraph 4 of the article 13 of this Federal law;
 - 6) If the cost of net assets as a result of discretionary management of property constituting endowment is decreased according to results of one accounting year more than for 50 percent without regard to application of monetary funds, provided for by paragraph 4 of the article 13 of this Federal law;
 - 7) In other cases, provided for by this Federal law.
2. Resolutions, connected with occurrence of circumstances, provided for by paragraph 1 of this article, shall be passed within one month from the date, when occurrence of these circumstances became known, and in cases, provided for by clauses 3 and 4 of the paragraph 1 of this article, simultaneously with passing a resolution on reorganization or liquidation of non-profit organization.
3. Target capital shall be subject to dissolution under court award in case of repeated or serious violations by non-profit organization – owner of endowment of requirements of this Federal law. Claim on dissolution of endowment in cases, provided in this paragraph, may be made with a court by federal body of executive power, fulfilling functions in the field of registration of non-profit organization, as well as donator, its successors or other assignees.
4. If procedure for disposal of property constituting endowment is not determined by donation agreement, testament or in cases, provided for by this Federal law, resolution of council on use of endowment, in the event of its dissolution, then upon dissolution of target capital the highest management body of non-profit organization subject to approval with council on use of endowment shall be entitled to pass one of resolutions:
- 1) Concerning transfer of remaining part of property constituting target capital to other non-profit organization for formation or replenishment of formed endowment;
 - 2) Concerning application of remaining part of property constituting endowment for the purposes, determined by donation agreement, testament or in cases, provided for by this Federal law, resolution of council on use of target capital, in accordance with financial schedule of non-profit organization.
5. Upon dissolution of target capital in cases, provided for by paragraph 3 of this article, resolutions, provided for by paragraph 4 of this article, shall be passed by court at the same time with resolution on dissolution of endowment.

Section 3. Discretionary Management of Property Constituting Endowment

Article 15. Restrictions upon Transactions with Property Constituting Endowment

1. Monetary funds constituting endowment, including foreign currency, may be converted into:
 - 1) Governmental securities of the Russian Federation, governmental securities of entities of the Russian Federation, bonds of other Russian issuers;
 - 2) Stock of Russian issuers, created in the form of open joint-stock companies;
 - 3) Governmental securities of foreign countries complying with requirements to be determined in respect of bonds of foreign countries, to which funds of Stabilization Fund of the Russian Federation may be converted;
 - 4) Bonds and stock of other foreign issuers;
 - 5) Mortgage securities issued in accordance with the legislation of the Russian Federation on mortgage securities;
 - 6) Investment units of closed-end mutual fund, if regulations for discretionary management of these mutual funds contemplate payout of income from discretionary management at least one time a year;
 - 7) Investment units of interval mutual funds;
 - 8) Investment units of open mutual funds;
 - 9) Real estate items;
 - 10) Deposits in rubles and foreign currency in credit institutions.
2. Conversion of property constituting endowment into securities (other than investment units of open mutual funds), specified in paragraph 1 of this article, may be made only, if these securities are converted at organized securities market, or into securities, provided for by clause 1 of paragraph 1 of this article, if they are specially issued by Government of the Russian Federation for disposal of funds of institutional investors.
3. Management of property constituting target capital shall be made by administration company on the basis of discretionary management of property constituting endowment.
4. For making settlements connected with discretionary management of property constituting endowment separate banking account shall be opened, and for accounting of rights on securities constituting target capital separate personal accounts are to be opened in the register of holders of securities or separate depository accounts in depository exercising accounting of rights on these securities. These accounts, excepting cases, provided for by legislation of the Russian Federation, shall be opened in the name of administration company with indication of that it acts as discretionary manager of property constituting endowment, as well as with indication of name of non-profit organization transferred monetary funds constituting endowment into discretionary management and individual designation identifying endowment.
5. When exercising discretionary management of property constituting endowment, administration company shall not be entitled to:
 - 1) Put monetary funds not being property constituting endowment on separate banking account designated for making settlements, connected with discretionary management of property constituting target capital;
 - 2) Write-off or issue monetary funds from separate banking account,

designated for settlements, connected with discretionary management of property constituting target capital, as well as with use of income from discretionary management of property constituting endowment for purposes, other than provided for by this Federal law;

- 3) Purchase property, which in accordance with this Federal law, may not be included into endowment;
 - 4) Enter into dealings with property constituting endowment and being in discretionary management on a free-of-charge basis;
 - 5) Give loans using property constituting endowment, as well as using income from discretionary management of property constituting endowment;
 - 6) Use property constituting endowment as security of performance of its liabilities, liabilities of non-profit organization – owner of endowment or liabilities of third parties, with the exception of circumstances, directly connected with discretionary management of property constituting endowment;
 - 7) Purchase securities, issuers of which are administration company, audit firm, with which service contract is entered into, or its affiliates, using monetary funds included into endowment, with the exception of cases, if mentioned securities are traded at securities market;
 - 8) Purchase securities of issuers, in respect of which measures on pre-judicial recovery are taken or proceeding of insolvency (bankruptcy) (supervision, financial rehabilitation, bankruptcy administration, competition management), using monetary funds included into endowment.
6. Upon discretionary management of property constituting endowment, entering into forward deals, including purchase of options for securities, entering into futures and forward contracts, shall be permitted exclusively for the purposes of risks insurance (hedging).

Article 16. Contract for Discretionary Management of Property Constituting Endowment

1. Non-profit organization – owner of endowment transfers donations received by this non-profit organization in view of monetary funds for endowment formation into discretionary management to administration company under contract for discretionary management of property constituting endowment, and administration company shall be obliged to ensure discretionary management of property constituting endowment in interests of this non-profit organization.
2. Founder of discretionary management of property constituting endowment and beneficiary under contract for discretionary management of property constituting endowment shall be non-profit organization – owner of endowment.
3. Conditions of contract for discretionary management of property constituting target capital shall comply with requirements of civil legislation and this Federal law. In addition to conditions, provided for by Civil Code of the Russian Federation, requirements to composition of management units and investment policy of administration company, which will be realized in executing this contract, shall be also specified.

4. Donations, received by non-profit organization in view of monetary funds for endowment formation and transferred by this non-profit organization into discretionary management, and income from discretionary management of property constituting target capital, shall not pass into the ownership of administration company exercising discretionary management of property constituting endowment. In the event of sale of property constituting endowment, monetary funds, received in payment for mentioned property, shall be included into property constituting endowment.
5. Administration company exercises discretionary management of property constituting endowment in accordance with contract for discretionary management of this property by entering into any transactions with property constituting endowment, as well as exercises all rights, attached to securities constituting endowment, including voting rights.
6. Administration company makes deals with property constituting endowment on its own behalf with indication that it acts as administrator. This condition shall be deemed complied, if upon making deals, written execution of which is not required, the other party is notified of its making by administrator in its capacity, and in written documents following name of administrator note "D.M." is made and name of non-profit organization – owner of endowment and individual designation, identifying endowment, are specified. In the absence of indication that administration company acts as administrator, it shall be liable towards third parties personally by property owned by it exclusively.
7. Administration company shall be obliged to maintain separate accounting for each endowment transferred to discretionary management.
8. If administration company is administrator of several endowments formed by one non-profit organization – owner of endowment, for management of each target capital separate contract is to be entered into.
9. Administration company following expiration of accounting period, determined by contract, but at least one time a year, shall be obliged to provide a non-profit organization – owner of endowment with report on its activity under discretionary management of property constituting endowment.
10. Income from endowments shall be transferred to non-profit organization – owner of endowment within 15 days after expiration of accounting period, unless other term provided by contract for discretionary management of property constituting endowment.
11. Administration company exercises discretionary management of property constituting endowment personally, with the exception of cases, provided for by this paragraph. Administration company shall be entitled to entrust a broker to make deals on disposal of securities included into endowments, or on purchase of securities by property constituting endowment on its behalf or on behalf of a broker, as well as enter into option, futures, forward contract,

performance of obligations under which shall be made using property constituting endowment. In other cases management company may entrust broker to conduct activity on its behalf, as necessary for discretionary management of property constituting endowment, if it is authorized to do so by contract for discretionary management of property. Administration company shall be liable for actions of attorney and commission agent, appointed by it, and for its own actions.

12. Contract for discretionary management of property constituting endowment in addition to cases, provided for by Civil Code of the Russian Federation, shall be terminated due to:

- 1) Suspension of license, issued to administration company for conducting activity on management of securities, or license for conducting activity on management of investment funds, mutual funds and non-governmental pension funds, or revocation of such a license;
- 2) Initiation of insolvency (bankruptcy) proceeding in respect of administration company (supervision, financial rehabilitation, bankruptcy administration, competition management).

13. Contract for discretionary management of property constituting target capital terminates from the date, when administration company became known of passing a respective resolution, and in the event, if this decision is to be passed by court, from the date of entering of this decision into legal force.

14. Non-profit organization – owner of target capital shall be entitled to refuse from contract for discretionary management of property constituting endowment unilaterally in the event of:

- 1) Non-compliance by administration company with requirements to the procedure for discretionary management of property constituting property, as established by this Federal law;
- 2) Passing a resolution on dissolution of endowment;
- 3) In other cases, provided for by contract for discretionary management of property constituting endowment.

15. This property shall be transferred to other administration company, appointed by non-profit organization – owner of endowment, within one month from the date of termination of contract for discretionary management of property constituting endowment. In other cases endowment shall be deemed as dissolved.

16. If contract for discretionary management of property constituting endowment terminates in connection with dissolution of target capital, monetary funds constituting this capital shall be transferred to non-profit organization – owner of endowment within 10 business days from the date of termination of this contract, and other property shall be sold by administration company within six months from the date of termination. Monetary funds shall be transferred to non-profit organization – owner of endowment.

Article 17. Requirements for Administration Company

1. In carrying out its activity on discretionary management of property constituting endowment, administration company shall be obliged to:

- 1) Make investments of monetary funds, received for endowment formation, subject to necessity of ensuring principles of reliance, liquidity, profitability and diversification;
- 2) Make calculation of value of net assets being in discretionary management of administration company under contract for discretionary management of property constituting endowment according to the procedure and within terms, provided for by statutory acts of federal body of executive power in the field of financial markets;
- 3) Be liable for compliance of discretionary management of property constituting endowment with requirements of this Federal law, other federal laws and contract for discretionary management of property constituting endowment, as provided for by this Federal law, other federal laws and contract for discretionary management of property constituting endowment;
- 4) Conduct audit bookkeeping accounting and accounting statements, connected with discretionary management of property constituting property on annual basis, as well as with payout of income from endowment, if balance value of property being in discretionary management of administration company of property constituting endowment exceeds RUB 45 million as of end of accounting year;
- 5) Provide non-profit organization – owner of endowment with a copy of audit conclusion;
- 6) Notify non-profit organization – owner of target capital of suspension of license for conducting activity on management of securities or license for conducting activity on management of investment funds, mutual funds and non-governmental pension funds or of revocation of this license not later date following date, when administration company became known of such suspension or of revocation, in the form and according to the procedure, provided for by contract for discretionary management of property constituting endowment;
- 7) Notify non-profit organization – owner of endowment of other facts and events, connected with activity on discretionary management of property constituting endowment, according to the procedure and within terms, provided for by contract for discretionary management of property constituting endowment;
- 8) Develop and comply with internal regulations for making transactions with property constituting endowment;
- 9) Comply with requirements, provided for by this Federal law, other federal laws, as well as contract for discretionary management constituting endowment.

2. In addition to restrictions, determined by article 15 of this Federal law, administration company shall not be entitled to:

- 1) Purchase property of its affiliates, as well as shareholders (members) of administration company, not pertained to affiliates, using property constituting endowment;
- 2) Sale property, included into the composition of endowment, to its affiliates,

as well as shareholders (members) of administration company, not pertained to affiliates;

3) Purchase into its ownership or ownership of founders of discretionary management property constituting endowment under other contracts for discretionary management;

4) Sale its own property and property being in discretionary management of administration company under other contracts for discretionary management to the composition of endowment.

3. Restrictions, provided for by paragraph 2 of this article, shall not apply to events of making transactions with securities in biddings of trade organizers at securities market.

Article 18. Expenses, connected with Discretionary Management of Property Constituting Endowment, and Remuneration of Administration Company

1. Contract for discretionary management of property constituting endowment shall stipulate the amount of remuneration of administration company or procedure for its determination, procedure and terms of payment of remuneration to administration company, as well as procedure for indemnification for necessary expenses, incurred by administration company upon discretionary management of property constituting endowment.

2. Indemnification for necessary expenses, connected with discretionary management of property constituting endowment shall be made using income from discretionary management of property constituting endowment. In the event, if this income is insufficient, indemnification for these expenses may be made using income from endowment. Necessary expenses, connected with discretionary management of property constituting endowment, include expenses of administration company for annual obligatory audit of bookkeeping accounting and accounting statements, connected with discretionary management of property constituting target capital. Necessary expenses to be indemnified using income from endowment may not exceed 1 percent of this income.

3. Remuneration of administration company shall be paid using income from discretionary management of property constituting endowment, received by administration company for accounting year, but not more than 10 percent of this income.

Section 4. Final Provisions

Article 19. Entry into Force of this Federal Law

1. This Federal law shall become effective from the date of its publication.

2. Provisions of this Federal law pertaining to non-profit organizations – owners of endowment not being specialized organizations shall apply from the date of determination by Government of the Russian Federation of the list of paid activities, which non-profit organizations – owners of target capital are entitled to carry out.

**The President of the Russian
Federation
V. Putin**