

September 18, 2012

Dear Sirs,

Please kindly find below the latest news with regard to automobile market regulation by the Russian competition authority.

On September 7, 2012 the Federal Antimonopoly Service of Russia (hereinafter – “**the FAS Russia**”) published on its official website the Recommendations for distributors and producers of automobile production in the Russian Federation (hereinafter the “**Recommendations**”).

The Recommendations are aimed at promoting competition and fair practice of automobile market players in Russia. They are based on the analysis of claims, applications and information received by the FAS from individuals and legal entities.

In its Recommendations the FAS Russia advises distributors and producers of automobile production the following:

1. To set forth the validity period of dealer contracts not less than 5 years or indefinite term for authorized dealers invested considerable funds into dealer business development by long term payback.
2. In case of termination of dealer contracts, to provide detailed grounding of the termination reasons by a terminating party in writing.
3. Not to undertake actions resulting in fixing the resale price on automobile production for authorized dealers, except for the maximum resale price.
4. Not to create discriminatory conditions for certain dealers within the same dealer network (short delivery of vehicles; delivery of non-liquidable models only; unilateral modification of delivery conditions; requiring additional investments in equipment and premises; requiring 100% upfront payment for production; etc.).
5. Not to refuse unreasonably the independent after-sales services in supply of the original spare parts, accessories to vehicles and expendable materials as well as in access right to the data bases (electronic catalogues of spare parts, expendable materials and accessories) allowing qualitative repair and maintenance of vehicles; not to fix discriminatory selling price of the original spare parts, accessories to vehicles and expendable materials as well as of access right to the data bases, except for economic justification of different prices.
6. Not to obstruct creation of after-sales services under standards of automobile producers separate from car sales as well as creation of car sales under standards of automobile producers without building of after-sales services center (separation of car sales and after-sales services).

7. To elaborate a document regulating interaction with the potential contractors specifying, inter alia, clear requirements to the potential contractors, procedures for presenting documents by the potential contractors, terms and procedures for entering into dealer contracts or rejecting therein.

The Recommendations are action-oriented and take into consideration the most recent cases initiated by the FAS against BMW, Renault and other large automobile producers.

An important case concerning the regulation of relations between a dealer and a producer of vehicles took place after publication of the Recommendations. For the first time the state court obliged a representative of a foreign automobile concern to enter into a contract with a dealer: on September 12, 2012 Modus Novorossiysk LLC, a company from the biggest dealer group in the south of Russia, won the case against Hyundai Motor CIS LLC. The Arbitration court of Moscow obliged Hyundai Motor CIS to enter into a contract with Modus Novorossiysk LLC for a term of not less than seven years and cover damages in the amount of 1,97 million rubles.

Therefore compliance with the FAS Recommendations can prevent distributors and automobile producers from bringing to liability for violation of the Russian competition legislation.

We will keep you informed about further development in regulation of the automobile market.

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We hope the information above is helpful for you.

For more information on ALRUD Competition practice please visit our **Web-site** or contact directly **Senior Partner, Head of ALRUD Competition practice Vassily Rudomino** vrudomino@alrud.com.

Yours faithfully,
ALRUD Law Firm

Please note:

- 1) *This Newsletter is based on the information placed on the official web-site of the Federal Antimonopoly Service of the Russian Federation (<http://en.fas.gov.ru/>)*
- 2) *This Newsletter should not be considered as a ground for making any decision regarding a particular issue. All the information for this Newsletter was taken from the public sources.*

