

Process Branch Sections

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Date: December 7, 2010
To: Section Officers in the Russian Federation
Subject: Process for interaction between the IEEE Branch and the Sections

I. Background

In January 2010, IEEE opened a branch office in Moscow after completing the legal registration process required under Russian law. The decision to establish a legal entity in Russia came as a result of new Federal law enacted for foreign non-profit organizations (NGOs) in that country. The law requires IEEE's registration in order to conduct all its activities and most importantly to be in compliance with the country's regulatory authorities.

The establishment of the new legal entity has resulted in the need for flow of information between the existing Sections and the new branch office. In the case of Russia, a branch is the legal term used to describe the type of registered entity. While IEEE's main goal is to minimize the impact on its Sections, a few changes will be necessary. Below is a description of the process that you should follow as the branch office begins operations.

II. Operations & Reporting

IEEE Branch Office

The branch office is located in Moscow and has a branch director. The branch office is an extension of IEEE in the Russian Federation and the legal conduit for IEEE to do business in the country. It is responsible for all the reporting requirements IEEE is required to file with the country's regulatory authorities. The branch is the legal reporting entity of IEEE. The branch operates independently from the sections.

The branch director is the legal representative of the IEEE to the Russian government and regulatory authorities. His name is Mr. Roman Yu. Ivanyushkin and he is a part-time employee of the IEEE reporting directly to IEEE's Managing Director, MGA Geographic Activities Cecelia Jankowski.

The branch director will manage the office operations with the support of an accounting company located in Moscow called BDO - www.bdo.ru. IEEE has engaged BDO to perform all the accounting, tax, and reporting services required for the branch to maintain its legal and regulatory compliance. BDO will prepare all the documentation and filing of all reports with government authorities on a monthly, quarterly, and annual basis as required by Russian law.

The branch office receives email notification from each Section and from IEEE Headquarter office about all IEEE activities in Russia, including section's activities and executive meetings, all IEEE sponsored conferences, as well as educational and technical workshops.

Section Operations

All three sections in Russia will continue operating independent from the branch office and in accordance with the procedures outlined in the MGA's Operations Manual.

Sections officers are requested to provide information needed by the branch and BDO. The branch and BDO will work together to support the accounting and reporting needs of the sections as needed.

Reporting Section Activities

All Sections will send the branch via electronic mail a report of all activities the Section and Chapters are planning to hold within the Russian territory. It is of critical importance that these activities be reported to the branch as they become known to the section/chapter.

The branch of the IEEE in Russia is required to report to the Ministry of Justice all activity of the IEEE in Russia. Reimbursement to volunteers for conference related activities will not be processed until the specific activity is reported to the Ministry of Justice.

The branch is required to report to the Ministry of Justice 30-days in advance of any IEEE sponsored activity/event taking place in Russia. Therefore, the sections should send activity updates promptly to the branch. Failure to report timely activities by the branch can result in a penalty to the IEEE in Russia.

Reporting Section Monthly Expenses

Sections will send BDO via electronic mail (with copy to the branch) a monthly report of all section expenses. Sections will mail (via courier) all original supporting receipts to BDO. This process enables BDO to prepare and maintain appropriate accounting records of the IEEE's section activities in Russia.

Please note, BDO in conjunction with the branch will provide complete instructions on how to report the sections expenses (see the Next Steps section at the end of this notice)

Reporting Volunteers Business Expenses (Not Travel)

All expenses must have the appropriate supporting documents as per BDO instructions.

To obtain reimbursement for an IEEE expense incurred by section officers/volunteers, he/she will need to sign a Volunteer Agreement. This agreement is intended to serve as the ground for legalization of relations with volunteers in Russia, and the document to which accountants may refer when making payments to non-employees of the branch.

Reporting Volunteers Business Travel Expenses

All Business related travel expenses incurred by section officers/volunteers while conducting IEEE's activities in Russia will be reported to BDO using a Business Trip Report with the supporting documentation. BDO will provide you all the instructions and templates.

In order to treat volunteer expenses as business expenses, volunteers will submit all appropriate supporting documents (expense reports, receipts, etc). If there is not sufficient supporting documentation, expenses can be considered as personal income and could be subject to Personal Income Tax.

BDO, in conjunction with the branch will provide you complete instructions on how to report these expenses (see the Next Steps section at the end of this notice)

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For the year ending 2010, all sections in Russia will continue to prepare and submit the required financial reporting to the IEEE's Membership Geographic Activities in accordance with the IEEE's policies.

1. III. Banking Process

In order to comply with banking regulations in Russia, IEEE has established a banking structure to allow transfers of funds from IEEE and its organizational units to the branch office and all sections in Russia (see attached excel file).

Under the new banking configuration, all transfer of US dollar funds from IEEE must go through the branch office's account with UniCredit in Moscow. From the branch account all funds are transferred to sections, active chapters, and individuals in Russia.

How Sections will receive funds

Each of the three Russian sections will have two separate accounts: a settlement account and a debit account. The settlement account will allow sections to make deposits and payments on behalf of the section. The debit account will be linked to a debit card issued to an active chapter(s) to receive and to make local payments.

US funds are deposited in the US dollar account of the branch and Rubles are then transferred to the Section account.

How Chapters will receive funds

All transfers of US funds to Chapters are deposited in the US dollar account of the branch and Rubles are then transferred to the Section account.

Each active Chapter will be assigned a debit card. The debit card is linked to the Section's debit account to allow the owner to receive and to make payments. Section Treasurers will set each card's limit according to the amount of the payment. Only Chapters reporting activity in the last 12 months will receive a debit card. The debit card holder will complete a debit card application and a volunteer agreement.

Current Status of Banking Process

The accounts of the branch are already operating. The status of the Sections settlement accounts is as follows:

- Russia Section Moscow – account is planned to open by January 2011
- Northwest Section St. Petersburg – account will open by end of December 2010
- Siberia Section Novosibirsk - account is in operation.

Once Section accounts are set up, the debit cards to the active Chapters will be assigned.

1. ***IV. Next Steps***

2. A teleconference will be set up with all Section officers, the branch director, and BDO within the next few days. The purpose of this teleconference is to review the process outlined in this document. All questions can be addressed at this time.

MGA is preparing a detailed communication to all IEEE organizational units with instructions for transferring funds to Russia.

Transfer of funds from existing Custody Accounts will be scheduled when Section accounts are open and operating.

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