

Chapter 20

The Internet as a Special Information Space for Attracting and Implementing Investments



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Abstract The study considers the modern information space as a set of electronic websites for the turnover of investment objects. This set of platforms is available to an unlimited number of investors and recipients of investments, for these persons to make remote investment transactions and make a profit. Within the framework of a systematic approach, the concepts of the investment Internet space and the turnover of investment objects in the Internet space are formulated. The classification of investment websites by the level of qualification of investors by recipients of investments has been carried out. The investment Internet space is continuously and intensively used by the individuals and legal entities. The parties interact on websites to make remote investment transactions. There are no restrictions on the free will of a person, who intends to enter the specified space as an investor or a recipient of investments. This freedom has no legal restrictions that can be implemented effectively and with complete certainty. The activity in the remote transactions by millions of individuals—the unqualified investors in modern Russia—is growing at an accelerated pace. This requires immediate preventive measures at the federal legislative level.

20.1 Introduction

Encyclopedic volumes reveal the term Internet as an international (worldwide) computer network of electronic communication, uniting regional, national, local, and other networks [1]. This concept is widely discussed in both Russian and foreign scientific literature. For example, S.V. Petrovsky proposed the following definition: “An international public telecommunication network intended for the exchange of machine-readable messages (data), that is, information about the surrounding world, its objects, processes and phenomena, objectified in a form that allows for their direct

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machine processing” [2]. Researcher Maksurov A.A. sees the Internet as a kind of human communicative activity, because of which all its main features fully belong to him [3].

The legal definition of the term Internet is not contained in the regulations. In particular, we do not find it in Federal Law No. 149-FZ of July 27, 2006 “On Information, Information Technologies and Information Protection” [4]. However, some features of the Internet as a legal phenomenon can be identified from regulatory legal acts. This is a special system based on communication technology; the main purpose of the Internet is to receive and transmit information in various forms and in large volumes; you can use the Internet only through computer devices [5]. Here we disagree with N.V. Rachmanina, who apparently means computers, since at present it is possible to use the Internet quite effectively through mobile telephone communication devices (smartphones). At the same time, mobile telephone communication allows a person to connect with one or another addressee on the Internet via radio waves, and computers provide the same via wires (cables) [6]. Over the past 5–8 years, technologies that allow computers to connect to the Internet without wires have been developing quite intensively. Such options provide for the “transformation” of a computer into a mobile phone when a so-called modem is used, to which a standard telephone SIM card is connected [7].

For the purpose of our research, the investment Internet space should be understood as a system of interconnected electronic machines—servers and other devices that store, process, receive, and transmit information through wires and radio waves in the form of special computer codes. Data and commands are transmitted at the will and in the interests of investors in contact with each other, investment intermediaries, and recipients of investments, whose circle is not limited. This option of remote interaction is very rational and in demand: there are no restrictions in distance, in time of day; the data exchange rate is very high. During the last 5–8 years, a huge leap has occurred due to the development of computer technology and software, which currently allows huge amounts of information to be transmitted at great speed. As a result, it is now possible to receive images and sound of several persons on a computer monitor at once and conduct a live dialogue with them regardless of the geographical location of the persons in contact with each other. It should be noted that the equipment itself, electronic devices, servers, tangible, and intangible assets that make up the Internet belong to specific individuals, who for the most part are not public (state) entities. The main tools of this development process are digital platforms, with the help of which the transition from the order of interaction “one-to-one”, “one-to-many” to the system “many -to-many” is built. We agree that in modern Russia, the change in the technologies of interaction of economic entities in combination with the created consulting and technical business centers provides real progress toward an innovative economy [8].

In this chapter of the monograph, as part of the regulatory framework, Federal Law No.149-FZ of 27.07.2006 “On Information, Information Technologies and Information Protection”; Federal Law No.325-FZ of 21.11.2011 “On Organized Auctions” were studied. The study of doctrinal sources covers the scientific works of a number of Russian and foreign scientists, among these authors: Inshakova A.O., Goncharov

A.I., Ershova I.V., Petrovsky, S.V., Maksurov, A.A., Rachmanina N.V., Budarina N.A., Akkaev A.A., Kurasova S.E., Afanasyeva E.V., Amelin R.V., Khabrieva T.Ya., Chernogor N.N., Fadeeva A.Yu., Tamm V., and Tapscott D. At the same time, at the scientific and methodological level, the issues of using the Internet as a special information space for attracting and making investments have not received much attention from researchers until recently.

20.2 Methodology

The development of the content of this chapter is based on the materialistic world-view and the universal scientific method of historical materialism. General scientific methods of cognition are applied: dialectical, hypothetical-deductive method, generalization, induction and deduction, analysis and synthesis, and empirical description. The research also uses private scientific methods: dogmatic, comparative-legal, hermeneutic, structural–functional, etc.

20.3 Results

As noted above, it can be assumed that the legislator leaves us the opportunity to independently reveal the concept of the Internet. Moreover, to do this based on the definition that a special system of technical devices integrated into an information and telecommunications network functions to transmit information through communication channels, which is accessed using computers [1]. This network functions as a global conglomerate of websites, each of which has its own unique domain name and address. Domain names and (or) network addresses allow you to identify sites on the Internet. At the same time, the legislator interprets the website as a complex of computer programs and information accessed via the Internet [4]. Users receive and transmit information to each other, precisely focusing on these sites. In our opinion, the first brick—the key link of the entire web of the Internet is precisely the website belonging to a specific person (persons). A website with its unique domain name and its highly specialized subject combines a certain number of necessary files and related archival resources. These resources contain relevant information that is accessible via the Internet. The World Wide Web erases the boundaries of national jurisdictions and time constraints, providing the widest possible space for finding both recipients of investments and investors anywhere in the world. The flexibility and initiative of this method significantly reduces the costs of contacting persons and increases the effectiveness of communications.

Many researchers also claim that the website is the key tool of Internet communications. At the same time, some researchers insist that face-to-face meetings between partners are much more effective than communication via the Internet, since the perception of partners is much better during face-to-face meetings [9]. However,

as noted above, modern video technologies used when making transactions on the Internet almost completely neutralize the disadvantages of the absence of meetings of individuals at an agreed time in the same room. In our opinion, the adaptation of Internet users to the remote method of video communication is happening very rapidly, the widespread transition to the preparation, execution, and implementation of transactions on the Internet will definitely happen before the end of the 2020s. The necessity and expediency of meeting individuals in the same room for transactions as well as for interaction during the execution of such deals will decrease to zero over the next 5–8 years.

Modern society quite consciously increases the role and expands the functionality of the information space in public relations from year to year [10]. It is natural that the investment sphere is also moving leaps and bounds into the information space. It should be clarified that direct investments involving investments in tangible assets of specific property complexes of business entities within the framework of the implementation of relevant development projects still require the personal presence and active participation of investors, and this form of investment is still being successfully implemented. At the same time, transactions with certain objects are massively reproduced in the investment Internet space and from year to year the varieties of such transactions are constantly expanding; in our opinion, it is reasonable to say that there is a turnover of investment objects. We believe that the turnover of investment objects in the Internet space should be understood as systematically executed transactions with certain assets for their purchase and sale, as a rule, at changing prices, through remote interaction of persons through websites in order to make a profit.

At the public level in the Russian Federation, the Agency for Strategic Initiatives has introduced an Investment Standard that combines 15 successfully used practices at the regional level (<http://investstandart.ru/o-standarte/>). These practices were applied by the most economically developed regions, and later they were extended to other regions. This standard has become the main project that should help economic entities in the regions of Russia to attract investment. With the help of the standard, the business community can evaluate the actions of authorities in the field of investment development and even influence some of their decisions. The specified standard, one of the mandatory requirements, provides for the availability of a website on the Internet in two languages (Russian and English, maybe in other languages used in the region or by potential investors), with a description of investment opportunities. Taking into account the fact that digitalization and information technologies are increasingly penetrating both business and the public sectors, the website seems to be an excellent presentation of the potential that this subject of the Federation has. The website must be up to date so that potential investors can fully assess investment opportunities and build interaction.

As you can see, the investment website is a hub from which potential investors begin to get acquainted with a wide range of offers from investment recipients. Next, the investor can focus his attention on the website of a single recipient of the investment [11]. Facebook, Instagram, etc., which are used to attract partners, will also

be mentioned here about the existence of social networks, such as Vkontakte, Facebook, etc., which are used to attract partners. In addition, there are specialized social networks for finding business partners, such as LinkedIn, My Circle, Professionals.ru, Viadeo, etc.

We believe that the websites that exist on the Internet to attract investment by initiators of business projects should be differentiated into two groups according to the level of training of participating investors. The first group is investment platforms designed for the execution of transactions by qualified investors. The second group is investment platforms where unqualified participants can invest their capital. The first group of investment sites is characterized, first of all, by the large amounts of money for which transactions are carried out; the specificity of the objects themselves for investment; and the complexity of remote investment technologies. The second group of platforms is intended for unqualified participants and conducting simple, standardized transactions by the widest range of investors (people). It is significant that the investment issues concerning the second group of websites relatively widely are covered in the scientific literature. However, we practically do not find developments on the functioning of the first group of websites in the scientific literature.

In addition, in our opinion, remote Internet sites related to the investment sphere should be differentiated into three groups by initiators of interaction: banking websites, websites of investment intermediaries, and websites of direct recipients of investments. Let us consider these sites further.

The first group is the Internet sites of commercial banks. Undoubtedly, banks are the largest and main subjects of the capital market, acting as investment intermediaries and direct recipients of investments. The classic investment option—a bank deposit—has been used for several hundred years and it is quite in demand and satisfies the interests of many owners of capital. In addition, banks are quite actively attracting funds from a wide range of investors for their turnover by placing various securities, for example, bonds. Along with this, banks as intermediaries provide services to clients, for example, for the acquisition and (or) sale of certain investment instruments, for example, investment fund units.

The second group is the Internet sites of investment intermediaries. In this group, we include only legal entities with special legal capacity—these are licensed investment companies (brokers, dealers, asset managers); operators of investment platforms included in the relevant Register of the Bank of Russia; and exchanges.

Traditionally, the largest and most well-known investment platforms around the world are exchanges, they carry out the bulk of the turnover of investment instruments. Federal Law No.325-FZ of 21.11.2011 “On Organized Auctions” provides for the functioning of legal entities of special legal capacity in the Russian Federation—trade organizers [12]. Exchanges are possible only in the organizational and legal form of a joint-stock company with its own funds the amount of 100 million rubles. Six exchanges are listed in the Register of licenses issued by the Bank of Russia (<https://www.cbr.ru/registries/rcb/>): PJSC “Moscow Exchange MICEX-RTS”; PJSC “St. Petersburg Exchange”; JSC “St. Petersburg International Commodity Exchange”;

JSC “St. Petersburg Currency Exchange”; JSC “Stock Exchange “St. Petersburg”; and JSC “National Commodity Exchange” (there are no trading systems in Russia).

In Russia, PJSC “Moscow Exchange MICEX-RTS” (hereinafter referred to as MICEX) dominates, of course. The website presents hundreds of different services that contribute to both the implementation and attraction of investments: for bidders, private investors, asset managers, international investors, and issuers.

In 2013, the Bank of Russia issued Exchange License No. 045–002 to PJSC Saint Petersburg Exchange (hereinafter referred to as PJSC SPB). The document states that the license was issued to carry out activities for conducting organized auctions (https://spbexchange.ru/ru/futures/files/licenzia_birji.pdf). The website of PJSC SPB states that PJSC SPB is an organizer of trading in foreign securities within the Russian jurisdiction, which provides opportunities for private investors to make transactions with foreign financial instruments. It is also indicated that individuals can carry out independent transactions only through professional participants of the securities market admitted to trading on the Stock Exchange, who have licenses from the Bank of Russia for brokerage activities, of which 46 companies are represented on the website of PJSC SPB (<https://spbexchange.ru/ru/stocks/participants.aspx>).

One of the services on the website of PJSC SPB provides for the procedure for remote connection of a potential investor to remote exchange services. First, it is necessary to choose a broker from among the above accredited bidders and contact him via the Internet. Next, it is necessary to conclude a contract with the broker—you can also make a remote transaction. Secondly, the investor is invited to choose an online trading system from the list of certified systems and get access to transactions on the exchange. It should be clarified that it is possible to connect to PJSC SPB remotely only through a licensed brokerage company, from among the legal entities admitted to trading (<https://investcab.ru/ru/inmarket/connect/>).

For remote interaction, technical and network services are provided by PJSC SPB Association of Financial Market Participants “Non-Profit Partnership for the Development of the RTS Financial Market” (hereinafter NP RTS). There are three possible options: (1) dedicated communication channel—own fiber-optic line (cable) built from the client to the NP RTS data processing center, there may be a dedicated cable provided by NP RTS. Two (or more) parallel channels increase the reliability of access. To service each channel, the client needs to purchase special equipment and transfer it to the management of NP RTS; (2) encrypted channel via the Internet “network-to-network” (LAN-to-LAN) from the NP RTS network to the client’s network segment. To service the channel, the client needs to purchase special equipment and transfer it to NP RTS; (3) Internet connection using a VPN client via a secure channel to connect one client computer does not require the purchase of additional equipment (PPTP client software package) (<https://nprts.ru/ru/services/it-service/net/>).

The third group is the websites of legal entities—issuers offering their securities to a wide range of investors directly. Russian legislation does not prohibit a legal entity that has issued securities, for example, bonds, from distributing them to investors without contacting investment intermediaries or the stock exchange. It is also possible to subscribe directly to additionally issued shares, issued depository receipts of the

company, etc. To clarify, we are not aware of issuers that carry out direct remote transactions with investors. First of all, this concerns the regime of commercial secrecy, and, in addition, most issuers consider the organizational and financial costs of direct conduct and registration of transactions impractical. For example, on the website of LLC “Leasing Company Simple Solutions” it is indicated that at the beginning of 2021 there are four issues of PR-Leasing bonds in circulation on the MICEX, which can be purchased through a broker. On the PR-leasing website, there is a service for an investor to open an account with a broker and conduct a transaction for the purchase of bonds of the specified issuer.

For example, on the website of the Joint-Stock Company “DOM.RF” it is indicated that this JSC attracts investments, improves the quality and affordability of housing through the development and implementation of federal standards for the profitable purchase of housing in a mortgage. The website also states the “DOM.RF”. The Russian Federation has issued 25 bond issues worth 195.6 billion rubles. At the same time, all AHML 2018 Eurobonds (issue for RUB 15 billion) were repaid in full and on time earlier, in 2018. From the “DOM.RF” website can easily switch to the website of its subsidiary Mortgage Agent. The exclusive subject of its activity is, firstly, the acquisition of claims on loans (loans) secured by mortgages and (or) mortgages, and secondly, the issuance of mortgage-backed bonds.

According to our estimates in 2022, individuals and legal entities on a scale of at least 5 billion users use the Internet. The modern citizen, as well as employees of legal entities, implements the absolute majority of communications on the Internet. The investment sphere, moreover, is simply repleted with opportunities for making investments, for example, you can specify several websites that facilitate remote investment transactions [13]:

- towave.ru—an online portal for startups, investors, where news and recommendations for entrepreneurs are published;
- napartner.ru.—the website for initiators of business projects and investors provides transaction support services. There is information about how successful companies were financed, how they received investments;
- investgo24.com.—the website with investment projects, proposals for the purchase and sale of businesses, analytical articles about investments;
- townmoney.ru.—the difference of this website is the opportunity to get a loan for the development of your business project;
- other websites, such as investors.partners, start2up.ru, business-platform.ru, innovationportal.ru, investclub.ru, rusinvestproject.ru, avito.ru, fbip.ru, beboss.ru an angel.cooperation, simex.global.ru, etc.

20.4 Conclusion

The pandemic of 2020–2021 caused a natural increase in remote investment activity. According to the National Association of Stock Market Participants, deposits of individuals in banks decreased from 22.9 to 21.2 trillion rubles in 2020 [14]. The number

of Russian citizens who opened brokerage accounts on the stock exchange doubled in 2020 and reached 9.8 million people. Investments of individuals in securities and other investment instruments increased to 6 trillion rubles.

We believe that by 2025–2027 at least 30 million private investors will participate in investment turnover from the territory of the Russian jurisdiction, which sharply exacerbates the urgency of preventive measures by the relevant state organs. Russian President Vladimir Putin is rightly concerned about the rapid development of events: “Other forms of financial investments are being developed, including the purchase of securities. Moreover, this is by definition more risky than bank deposits. It is necessary to protect the interests of people who invest their money in the securities market, but are not of course professional investors” (<https://www.rbc.ru/finances/01/02/2021/6017e70f9a7947cf2022efa4>).

Thus, the modern information space (billions of individual computers connected via cables to supercomputers, radio waves of billions of smartphones on the air) is continuously used by individuals and legal entities. In particular, it is used as a set of electronic websites for the turnover of investment objects. The free will of a person who intends to enter the specified investment Internet space as an investor is not limited. As well as the freedom of entry for the recipient of investments is not limited. These persons can perform legally significant actions without having legal restrictions, while restrictions cannot be implemented effectively and reliably [15]. Activity in remote transactions by millions of individuals—unqualified investors—is growing at an accelerated pace in modern Russia, which requires urgent preventive measures from the Federal Center. We propose to make a decision at the legislative level during 2023–2025 to develop and implement the State Program “Investment Literacy of the population”.

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