

LT in Focus

The Russian State Duma to consider a bill on reciprocal measures against the USA and other foreign states

A bill enabling the Russian Government to implement reciprocal (counter) measures in response to the hostile actions of the USA and other foreign states towards Russia was submitted to the Russian State Duma on 13 April 2018.

Read on for the key provisions of the bill and its impact on the professional community.

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Professional services restrictions

The bill restricts/bans the provision of professional (consulting, audit, or legal) services by entities directly or indirectly, including through third parties, controlled by a company incorporated in the USA and/or other foreign state that has imposed sanctions on the Russian Federation (through a shareholding exceeding 25 percent).

If the bill is adopted, such foreign-controlled entities will not be admitted to government procurement and will not be able to provide professional services to the federal and municipal authorities and certain types of legal entities (not specified).

The proposed measures may have an adverse impact on the branches and representative offices of international professional firms (consulting, audit, or legal), which are broadly represented in the Russian professional services market.

Foreign states subject to reciprocal measures

For the purposes of the bill, 'foreign states' refer to the foreign countries that have joined the USA in imposing of the economic sanctions on certain Russian industries, legal entities, and/or individuals, or have supported such decisions of other states.

The bill does not expressly name such foreign states, but the list is likely to include Great Britain, which supports the economic sanctions against Russia and consistently expands restrictions concerning Russia's top businessmen.

Adoption timelines

The bill is expected to be heard and adopted shortly, given the political urgency of the response to the latest anti-Russia sanctions.

The first reading of the bill is scheduled for 15 May 2018.

Recommendations

As it is highly probable that the bill will be adopted, we recommend that you analyse your corporate structure and be prepared to reconsider the way you service your Russian clients, taking into account the upcoming regulatory restrictions.

In particular, we would recommend establishing a local legal entity with no foreign participation. The restrictions and the impact of the earlier economic sanctions against Russia should also be taken into account in your managerial decisions.

We hope that you will find this newsletter interesting and informative. Please feel welcome to contact us for more information on the topics covered.

Best regards,

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