

LT in Focus

Highlights of anti-sanctions regulations in Russia

[Russian State Duma passes bill on reciprocal measures against the USA and allies](#)

[Bill on criminal prosecution for compliance with anti-Russian sanctions faces major overhaul](#)

Russian State Duma passes bill on reciprocal measures against the USA and allies

On 22 May 2018, the law on reciprocal measures against the USA and other foreign states (the Law) passed the Russian State Duma's third reading, having changed dramatically compared with its first and second versions (for more details, please refer [to LT in Focus of 17 April 2018](#) and [LT Digest of 14 – 18 May 2018](#)).

In the new wording, the Law applies to the companies that are incorporated in unfriendly states and are directly or indirectly controlled by or affiliated with such states. At the same time, the Law does not define or elaborate on the criteria of control or affiliation.

The original version referred to the entities directly or indirectly, including through third parties, controlled (through a shareholding exceeding 25 percent) by a company incorporated in the USA and/or other foreign state that has imposed sanctions on the Russian Federation.

The approach of the final version rests on the actual control by the entities incorporated under the laws of unfriendly states.

The Law now contains generalised measures without references to any particular industries.

Instead, it expressly bans or restricts the engagement of the entities incorporated in unfriendly foreign states that are directly or indirectly controlled by or affiliated with such state in the federal or municipal procurement or procurement by state-owned corporations.

The final wording of the Law does not expressly ban foreign professional firms (legal, consulting, or audit) from doing business in Russia. Like in previous versions, the list of banned or restricted industries, works, and services is approved by the President of the Russian Federation and the Russian Government.

Such vague wording, the absence of concrete criteria of control/affiliation with an unfriendly state, and the framework nature of the Law that enables the legislator to promptly ban/restrict the provision of a particular service considerably aggravates the international professional firms' position in Russia.

Furthermore, an authority that will monitor compliance with the Law has not yet been appointed.

Bill on criminal prosecution for compliance with anti-Russian sanctions faces major overhaul

According to the current version of the bill, any action (failure to act), leading to a restriction or denial of regular business transactions to the Russian citizens, companies, regions, municipalities, and their affiliates on the account of complying with the anti-Russian sanctions will be prosecuted.

The above-mentioned breaches will be punishable with a fine of up to RUB 600,000 or in the amount of a

convict's four-year salary/other income, or community service for the period of up to four years, or imprisonment for up to four years coupled with a fine of up to RUB 200,000, or such convict's salary/other income for up to one year, or without such fine.

Facilitation of the implementation of the anti-Russian sanctions will also be prosecuted. For more details, please refer to [LT Digest of 14 – 18 May 2018](#).

Anticipated changes

The current wording of the bill has drawn major criticism from the business community. Business associations, including the Russian Union of Industrialists and Entrepreneurs, the Retail Companies Association, the Association of European Businesses, and the businesses themselves expressed serious concerns regarding the impact of the bill on the foreign businesses' viability and after-life in the Russian market as well as the country's investment climate.

Following the discussion at the Legislation Council's meeting of 23 May, we expect the following changes to be introduced to the bill prior to its second reading:

- Replacing the criminal punishment with administrative penalties
- Defining an exhaustive list of instances (actions or failure to act) that may entail the prosecution for conforming with the anti-Russian sanctions.

Yet, calling for sanctions or the aggravation of sanctions will remain criminalised.

The State Duma members also propose treating the incitement of anti-Russian sanctions as treason, which implies tougher consequences for the convict.

Hearing status

The bill is currently being reworked for its second hearing in the State Duma.

Once finalised, the updated document [will](#) be presented to the Legislative Council.

The date of the next hearing has not yet been set.

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

Yours faithfully,

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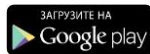
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