

Newsletter

Potential liability for violation of Russian counter-sanction measures

23 March 2023

Dear Ladies and Gentlemen,

Starting from February 2022, the President of Russia has adopted several decrees restricting conclusion and performance of transactions involving foreign entities and individuals. In most cases such transactions now require approval from a special governmental commission.

Today the Russian Ministry of Finance published **draft law** No. 02/04/03-23/00136901 on making amendments to the Russian Code of administrative offences that introduce liability for breach of counter-sanctions measures aimed at ensuring of financial stability of the Russian Federation (hereinafter the "**Draft law**"). Please find below a brief overview of the Draft law.

1 Consequences of violation of the counter-sanction measures in accordance with the Draft law

As follows from the Draft law, in case of non-compliance with the counter-sanctions measures (e.g. in case of conclusion of transactions in breach of the counter-sanctions), (1) citizens, (2) individuals carrying out entrepreneurial activities without establishing a legal entity, and (3) legal entities will be **fined in the amount from 20% to 40% of the transaction amount carried out in breach of the measures** (failure to conclude transactions in breach of the counter-sanctions measures is proposed to be treated on the same basis as the transaction carried out in non-compliance with the measures). It is also proposed to extend similar liability to officials (including company officials), but to limit it to RUB 30,000.

In cases when non-compliance with the counter-sanction measures does not have monetary value (e.g., making a gift), it is proposed to impose an administrative fine on individuals in the amount from RUB 4,000 to RUB 5,000, on officials - in the amount from RUB 40,000 to RUB 50 000, and on legal entities - in the amount from RUB 800,000 to RUB 1,000,000.

2 Persons and entities that cannot be brought to administrative liability in accordance with the Draft law

The annotations to the Draft law specify that the administrative liability established by this article shall not apply to Russian residents which are credit institutions and entities engaged in insurance business. The Draft law also provides several exceptions when liability shall not apply.

According to the text of the Draft law, if it is adopted, it becomes effective from 01 January 2024.

We would like to draw your attention to the fact that this Draft law is a very early version. Between 22 March 2023 and 11 April 2023 it will be under public discussion, with several more stages of consideration ahead, so by the final stage of consideration the Draft law may change significantly.

Please kindly let us know if you have any questions about this Draft law and its impact on your business.

We hope that the information provided herein will be useful for you. If any of your colleagues would also like to receive our newsletters, please send them the link to complete a [Subscription Form](#). If you would like to learn more about our [Crisis Management, Economic Sanctions and Compliance Practice](#), please let us know in reply to this email. We will be glad to provide you with our materials.

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Sincerely,

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