

Russian Counter-Sanctions Law Is In Force

June 8, 2018

On June 4, 2018, Federal Law No. 127-FZ on Counter-Measures for Hostile Actions of the United States and Other Foreign States (the “Counter-Sanctions Law”) was signed by the President of the Russian Federation, published and entered into force.

The Counter-Sanctions Law empowers the government, following a decision of the President, to enforce measures in response to hostile actions against the Russian Federation and Russian persons.

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While the Counter-Sanctions Law appears to be a response to the Countering America’s Adversaries Through Sanctions Act (the “CAATSA”) of the United States, unlike CAATSA, it does not require that the President and the government at his decision impose any measures.

Potential measures under the Counter-Sanctions Law may target:

- the United States and other foreign states committing hostile actions (“Hostile States”);
- entities under Hostile States’ jurisdiction, direct or indirect control or affiliated with them, involved in hostile actions (“Hostile States’ Entities”); and
- officials and citizens of Hostile States involved in hostile actions.

Counter-sanctions may include:

- termination and suspension of international cooperation in the areas determined by the President;
- prohibition of, or restrictions on, import of products or raw materials originated from Hostile States or manufactured by Hostile States’ Entities;
- prohibition of, or restrictions on, export of products or raw materials by Hostile States’ Entities and citizens of Hostile States;

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- prohibition of, or restrictions on, performance of works and provision of services for state and municipal needs and for legal entities listed in Art. 1 (2) of Federal Law No. 223-FZ on Procurement of Goods, Works and Services by Certain Types of Legal Entities (including state corporations, state companies, companies with more than 50% state participation, state and private companies that are included in the register of natural monopolies, etc.);
 - prohibition of, or restrictions on, participation in the privatization of state and municipal property, including provision of investment banking services, agency and other services involved in arranging such privatization; and
 - any other measures as determined by the President.

The list of goods, works and services subject to counter-sanctions is to be developed by the government. No specific deadline for the development of such list is set.

If the government imposes counter-sanctions following the decision of the President, such counter-sanctions may not apply to the following goods:

- vital and essential goods whose analogues are not produced in Russia; and
- goods imported into Russia by individuals for personal use.

The President may also decide to apply a national regime or exemptions from it for goods, works and services of Hostile States' Entities or citizens if Hostile States apply a national regime or exemption from it in respect of Russian goods, works and services set out by the international treaty.

The implementation of the measures will be mandatory for Russian public authorities and local governments, Russian citizens and Russian legal entities.

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Please do not hesitate to contact us with any questions.

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