

Sanctions 2021

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Russia

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GENERAL FRAMEWORK

Legislation

1 | What domestic legislation enables economic, financial and trade sanctions to be implemented in your jurisdiction?

These are:

- Russian Federal Law No. 390-FZ On Security, dated 28 December 2010;
- Russian Federal Law No. 281-FZ On Special Economic and Compulsory Measures, dated 30 December 2006;
- Russian Federal Law No. 127-FZ On Measures (Countermeasures) Against Unfriendly Actions of the United States of America and Other Foreign States, dated 4 June 2018;
- Russian Federal Law No. 115-FZ On Countering Legalization (Laundering) of Funds Derived from Criminal Activity and Financing of Terrorism, dated 7 August 2001;
- Decree of the President of the Russian Federation No. 560 On the Application of Certain Special Economic Measures to Ensure the Security of the Russian Federation, dated 6 August 2014;
- Decree of the President of the Russian Federation No. 592 On Application of Special Economic Measures in Connection with the Unfriendly Actions of Ukraine Towards Russian Legal and natural Persons, dated 22 October 2018;
- various decrees of the President of the Russian Federation implementing the resolutions of the UN Security Council; and
- resolutions of the Russian government implementing the foregoing laws and decrees.

Autonomous versus international regimes

2 | Does the domestic legislation empower your government to implement an autonomous sanctions regime or are only those sanctions adopted by international institutions and organisations imposed?

Russian domestic legislation empowers the government and the president to implement an autonomous sanctions regime.

Types of sanction imposed

3 | What types of sanction are imposed in your jurisdiction?

Various forms of sanctions are provided for and imposed, including:

- Suspension or termination of international cooperation by the Russian state and Russian legal entities with unfriendly foreign states, entities within the jurisdiction of unfriendly states or entities that are directly or indirectly controlled by unfriendly states or affiliated with unfriendly states, in the areas determined by the Russian President;
- suspension of all or some programmes in the area of economic or technical aid, as well as military cooperation programmes;

- bans on financial operations or restrictions (limitations) thereof (eg blocking (freezing) of bank accounts and other property, a ban (restrictions) on withdrawal of capital);
- trade embargo (ban on international commercial transactions (international trade) or restrictions (limitations) thereof), including:
 - restrictions on import into Russia of certain goods or raw materials (eg agricultural products) originating in unfriendly states that have imposed sanctions on Russia;
 - bans or restrictions on exports from Russia to unfriendly states of certain goods or raw materials;
 - bans or restrictions on the ability of entities within the jurisdiction of unfriendly states (affiliated with such state) to participate in Russian government tenders or procurement contracts, or contracts and tenders of state-controlled companies; and
 - bans or restrictions on the ability of entities within the jurisdiction of unfriendly states (affiliated with such state) to participate in privatizations of state or municipal property;
- termination or suspension of international trade agreements and other international treaties of the Russian Federation in the area of international commercial (trade) operations;
- changing of export or import customs duties and levies;
- prohibitions or restrictions (limitations) on access to Russian ports by vessels and on the use of Russian airspace or parts thereof;
- limitations on travel to Russia (ie, travel bans);
- prohibition of or refusal to participate in international scientific and scientific and technical programmes and projects, or such projects of a foreign state; and
- restrictions (ban) on employing Russian citizens by diplomatic and consular missions and offices of unfriendly states, branches (representative offices) of their state bodies (hiring ban or freeze).

Further, Russia complies with sanctions and export or arms control restrictions imposed by the UN Security Council resolutions, hence various presidential decrees have been promulgated to give effect to restrictions contained in such resolutions of the Security Council.

Countries subject to sanctions

4 | Which countries are currently the subject of sanctions or embargoes in your jurisdiction?

- Afghanistan (the Taliban movement);
- Albania;
- Australia;
- Canada;
- Central African Republic;
- Democratic Republic of Congo (DRC);
- Eritrea;
- European Union member states;

- Georgia;
- Iceland;
- Iran;
- Iraq;
- Liechtenstein;
- Libya;
- Montenegro;
- Norway;
- Democratic People's Republic of Korea (North Korea);
- Somalia;
- Sudan (Darfur region);
- Turkey (certain sanctions lifted);
- UK;
- Ukraine; and
- USA.

Individuals who are citizens of various other countries are also sanctioned. There is no website available that aggregates this information.

Non-country specific regimes

5 | What other sanctions regimes are currently in force in your jurisdiction which are not country specific?

None (only those applied by the UN, ie, with respect to terrorist organisations).

Counter-terrorism sanctions

6 | What sanctions and prohibitions are imposed in your jurisdiction in relation to terrorist activities?

While there is extensive criminal liability that can be imposed on an individual who engages in terrorist activities and on legal entities for facilitating or financing such activities, no specific terrorism-related sanctions programmes are currently in effect in Russia.

Russia follows the restrictions contained in the UN Security Council resolutions addressing terrorist activities generally (eg, UN Security Council Resolution 173, dated 28 September 2001), as well as resolutions imposing various sanctions on the Al-Qaeda terrorist organisation, the Taliban and the National Union for the Total Independence of Angola (some of the restrictions are partially lifted).

Anti-boycott laws

7 | Are any blocking or anti-boycott laws in place in your jurisdiction?

No. However, a blocking law (providing for criminal liability for implementing restrictions against a person based on foreign countries' sanctions) has been under consideration.

Scope of application

8 | Who must comply with sanctions imposed in your jurisdiction? Do sanctions have extra-territorial effect?

All Russian nationals and legal entities operating in Russia must comply with Russian sanctions. While the sanctions are not explicitly limited in their application to the territory of the Russian Federation, generally, Russian laws do not have extra-territorial effect.

Competent sanctions authorities

9 | Which government authorities in your jurisdiction are responsible for implementing and administering sanctions?

<https://www.fedsfm.ru/en>All governmental authorities have technical responsibility for sanctions compliance and enforcement within their respective authorities, including:

- the government of the Russian Federation (<http://government.ru/en/>);
- Ministry of Foreign Affairs (<https://www.mid.ru/>);
- Ministry of Finance (<https://minfin.gov.ru/en/>);
- Ministry of Defence (<http://eng.mil.ru/en/index.htm>);
- The Central Bank (<https://www.cbr.ru/eng/>);
- Federal Security Service (FSB) (<http://www.fsb.ru/>);
- Federal Service for Financial Monitoring (<https://www.fedsfm.ru/en/>);
- Ministry of Interior (<https://en.mvd.ru/>);
- Ministry of Industry and Trade (<https://minpromtorg.gov.ru/en/>);
- Customs authorities (<https://eng.customs.gov.ru/>);
- Ministry of Transportation (<https://mintrans.gov.ru/>);
- state corporations (such as Rosatom (<https://www.rosatom.ru/en/>) and Roscosmos (<http://en.roskosmos.ru/>); and
- National Guard (<https://rosguard.gov.ru/>).

Business compliance

10 | Are businesses in your jurisdiction required to put in place any systems or controls in order to ensure compliance with sanctions?

Yes. Under Federal Law No. 115-FZ On Countering Legalization (Laundering) of Funds Derived from Criminal Activity and Financing of Terrorism, dated 7 August 2001, certain entities that engage in financial operations and transactions, as well as those engaged in money transfers, are required to put in place certain processes and procedures (internal controls) over their operations with monetary funds and other property. The purpose of such internal controls is to identify operations potentially connected with (or funds derived from) money laundering, the financing of terrorism or the financing of proliferation of weapons of mass destruction.

Entities that are subject to such requirements include: credit organisations (eg, banks), professional securities market participants (broker-dealers, clearing houses, stock exchanges, money managers or investment funds or other professional securities market participants), investment platform operators, insurance companies, post office operators, pawn shops of various kinds, gambling industry participants, management companies of investment funds, real estate brokers, money transfer operators (payment systems), various providers of credit and financing, mutual insurance companies, non-state pension funds, cellular companies, lottery operators or information systems operators that issue digital assets. Certain exceptions apply in multiple cases.

Relevant entities must appoint (designate) employees within their organisation with responsibility for implementation and enforcement of relevant internal controls and procedures.

Guidance

11 | Has your government issued any guidance on compliance with the sanctions framework in your jurisdiction?

No comprehensive guidance exists, although the government has issued responses and explanations to multiple specific questions that various industry participants have submitted in connection with the implementation of sanctions laws and regulations (although this is not publicly available in one place).

ECONOMIC AND FINANCIAL SANCTIONS

Asset freezes

- 12 | In what circumstances may a person become subject to asset freeze provisions in your jurisdiction? What dealings do asset freeze provisions generally restrict in your jurisdiction?

Assets of a person may be frozen by Russian authorities if the person is determined to be involved in extremist activities, terrorism (including financing terrorism) or proliferation of weapons of mass destruction (based on the decisions of the relevant international organisations or Russian authorities).

In addition, an asset freeze may be applied to particular nationals of 'unfriendly' states included in sanctions lists based on specific government resolutions (eg, RF Government Resolution No. 1300, dated 1 November 2018, sets out a list of Ukrainian individuals and legal entities whose assets located in Russia must be frozen).

Under Russian law, an asset freeze is a prohibition on carrying out any transactions with respect to assets owned by such person (including property, money, securities).

General carve-outs and exemptions

- 13 | Are there any general carve-outs or exemptions to the asset freeze provisions in your jurisdiction?

Individuals whose assets are frozen and who are included in a relevant register, may file an application to state authorities for partial or full release of the freeze on their assets 'for the purpose of ensuring their well-being, as well as the well-being of their family members'. Similarly, legal entities (and individuals), whose assets are frozen and who are included in the relevant register, may file an application to state authorities for partial or full release of the freeze on their assets for the purpose of paying expenses related to the maintenance of bank accounts or other property, making payments under agreements concluded before the inclusion in the relevant registers, and for the purpose of covering emergency expenses.

List of targeted individuals and entities

- 14 | Do the competent sanctions authorities in your jurisdiction maintain a list of individuals and entities blocked under asset freeze restrictions?

Rosfinmonitoring maintains a list of individuals and entities blocked under asset freeze restrictions due to involvement in extremist activities or terrorism (<https://fedsfm.ru/documents/terr-list>) and the list of individuals and entities blocked under asset freeze restrictions due to the involvement in proliferation of weapons of mass destruction (<https://fedsfm.ru/documents/omu-list>).

Sanctions authorities do not maintain a list of individuals and entities blocked under asset freeze restrictions.

Other restrictions

- 15 | What other restrictions apply under the economic and financial sanctions regime in your jurisdiction?

Other types of economic and financial sanctions may be provided for in government resolutions imposing sanctions on particular states or persons (eg, according to RF Government Resolution No. 1300, dated 1 November 2018, sanctioned Ukrainian persons are prohibited from the transfer of funds (disinvestment) outside the territory of the Russian Federation).

Exemption licensing – scope

- 16 | Are the competent sanctions authorities in your jurisdiction empowered to issue a licence to permit activities which would otherwise violate economic and financial sanctions? If so, what is the extent of their licensing powers and in what circumstances will they issue a licence?

Russian authorities do not issue licences permitting activities that would otherwise violate economic and financial sanctions (subject to partial or full release of the freeze on the assets in certain cases based on the application to state authorities).

Exemption licensing – application process

- 17 | What is the application process for an exemption licence? What is the typical timeline for a licence to be granted?

Russian authorities do not issue licences permitting activities that would otherwise violate economic and financial sanctions (subject to partial or full release of the freeze on the assets in certain cases based on the application to state authorities).

Approaching the authorities

- 18 | To what extent is it possible to engage with the competent sanctions authorities to discuss licence applications or queries on economic and financial sanctions compliance?

Usually competent economic and financial sanctions authorities (the RF government, the Ministry of Finance, Rosfinmonitoring) are reluctant to discuss any queries on economic and financial sanctions compliance (especially, to give any specific advice on economic and financial sanctions compliance). Generally, relevant Russian state authorities only consider an application on partial or full release of the freeze on the assets in certain cases and issue a positive or negative decision.

Reporting requirements

- 19 | What reporting requirements apply to businesses who hold assets frozen under sanctions?

Organisations carrying out transactions with money or other property' (such as banks, broker-dealers, clearing houses, money transfer operators (payment systems)) must report to Rosfinmonitoring (the RF Federal Service for Financial Monitoring) about clients whose assets are frozen at least once every three months.

TRADE SANCTIONS

General restrictions

- 20 | What restrictions apply in relation to the trade of goods, technology and services?

Specific trade restrictions are provided for in relevant government resolutions with respect to specific unfriendly countries. Trade restrictions may include:

- restrictions on import into Russia of certain goods or raw materials (eg agricultural products) originating in unfriendly states that have imposed sanctions on Russia;
- bans or restrictions on exports from Russia to unfriendly states of certain goods or raw materials, or both (including oil, oil-products, coal);
- bans or restrictions on the ability of entities within the jurisdiction of unfriendly states (affiliated with such state) to participate in Russian government tenders or procurement contracts, or contracts and tenders of state-controlled companies;

- bans or restrictions on the ability of entities within the jurisdiction of unfriendly states (affiliated with such state) to participate in privatisations of state or municipal property;
- changing of export or import customs duties and levies;
- prohibitions or restrictions (limitations) on access to Russian ports by vessels and on the use of Russian airspace or parts thereof; and
- bans on selling or transferring weapons, military equipment and dual-use items

Further, Russia complies with sanctions and export or arms control restrictions imposed by the UN Security Council resolutions, hence various presidential decrees have been promulgated to give effect to restrictions contained in such resolutions of the Security Council.

There is no website available that sets out this information.

General exemptions

21 | Do any exemptions apply to the general trade restrictions?

No general exemptions to the general trade restrictions are provided for. However, the government resolutions that set out specific trade restrictions with respect to specific unfriendly countries may provide for exemptions (eg, RF Government Resolution No. 778, dated 7 August 2014, on ban on import to Russia of certain agricultural products, raw materials and food originating in the USA, EU and certain other countries, provides for an exemption – the said products may be imported into Russia if they are transiting into third countries; RF Government Resolution No. 1296, dated 30 November 2015, on ban on import to Russia of certain agricultural products, raw materials and food originating in Turkey, provides for another exemption – it is allowed to import the said products to Russia for personal use).

Targeted restrictions

22 | Have the authorities in your jurisdiction imposed any trade sanctions against dealing with any particular individuals or entities?

No, Russian authorities do not impose trade sanctions against dealing with particular individuals or entities. However, Russian authorities have imposed other types of sanctions, such as assets freezes, against particular individuals and entities included in 'black lists'; eg, RF Government Resolution No. 1300, dated 1 November 2018, sets out a list of Ukrainian individuals and legal entities whose assets located in Russia must be frozen.

In addition, presidential decrees adopted in accordance with the UN Security Council resolutions may contain trade sanctions against dealing with particular individuals and entities (eg, RF Presidential Decree No. 484, dated 14 October 2017, on sanctions, including trade sanctions, against North Korea and particular North Korean individuals).

Exemption licensing – scope

23 | In what circumstances may the competent sanctions authorities in your jurisdiction issue a licence to trade in goods, technology and products that are subject to restrictions?

Russian authorities generally do not issue exemption licences.

Exemption licensing – application process

24 | What is the application process for a licence? What is the typical timeline for a licence to be granted?

Russian authorities generally do not issue exemption licences.

Approaching the authorities

25 | To what extent is it possible to engage with the competent sanctions authorities to discuss licence applications or queries on trade sanctions compliance?

Russian authorities generally do not issue exemption licences.

Usually competent trade sanctions authorities (the RF government, the Ministry of Agriculture, the Ministry of Industry and Trade, Customs authorities) are reluctant to discuss any queries on trade sanctions compliance (especially, to give any specific advice on trade sanctions compliance).

ENFORCEMENT AND PENALTIES

Reporting violations

26 | Is there a requirement to report violations to the authorities (either to self-report or to report others)? If reporting is not obligatory, is it encouraged in any event?

Reporting sanction violations is not obligatory (Russian law provides for limited cases when reporting violations is obligatory, eg, reporting corruption (only for public officials), reporting on preparation for a terrorist attack, kidnapping).

Investigations

27 | Which authorities are responsible for investigating sanctions violations? What is the extent of their investigatory powers?

There is no specific state body charged with investigating sanctions violations. The state body that is responsible for investigating sanctions violations depends on the type of sanctions restriction – for example:

- if a bank carries out a transaction with respect to assets of a person who is the subject of an asset freeze, the violation of such an entity would be investigated by Rosfimonitring (the RF Federal Service for Financial Monitoring) and the RF Central Bank that may issue an order to rectify the violation and impose a fine on such bank; and
- if a person imports to Russia goods that are blocked under trade sanctions (for example, certain agricultural products from the EU), such a violation would be investigated by customs authorities and the person may be held liable in the form of a fine.

Such violations may also be considered by courts if relevant regulatory authorities transfer the case to a court for consideration.

Penalties

28 | What are the potential penalties for violation of sanctions?

Russian law does not provide for specific liability for violation of sanctions and the potential penalty for violation of sanctions would depend on the type of sanction and its violation – for example:

- a bank that carries out a transaction with respect to assets of a person who is the subject of an asset freeze may apparently be held liable in the form of a fine (the amount of the fine varies from 100,000 roubles to 1 per cent of the funds (capital) of such bank), suspension of certain bank activities, involuntary reorganisation or change of certain officers of the bank;
- a person who imports to Russia goods that are blocked under trade sanctions, may be held administratively liable in the form of a fine (the amount of fine varies from 1,000 to 2,500 roubles and confiscation of the blocked goods; and

- an entity that imports to Russia goods that are blocked under trade sanctions may be held administratively liable in the form of a fine (the amount of fine varies from 50,000 to 300,000 roubles and confiscation of the blocked items).

Recent enforcement actions

- 29 | Have there been any significant recent enforcement cases?
What lessons can be learned from these cases?

There have not been any significant enforcement cases with respect to sanctions violations.

UPDATE AND TRENDS

Emerging trends and hot topics

- 30 | Are there any emerging trends or hot topics in sanctions law and policy in your jurisdiction?

The recent trend in sanctions law and policy in Russia is an attempt to provide Russian individuals and legal entities that are subject to sanctions imposed by foreign countries, with a certain degree of legal protection. For example, according to amendments to the Russian Commercial Procedural Code, introduced on 8 June 2020, Russian courts obtained exclusive jurisdiction over certain disputes involving Russian individuals and legal entities on which foreign countries' sanctions were imposed, as well as certain disputes arising in connection with the imposed sanctions. In addition, the amendments have allowed an individual or legal entity to seek from a Russian court a ban on commencement, or continuance by another individual or legal entity of such sanctions-related disputes before a foreign court or arbitration panels.

Another illustration of an attempt of Russian authorities to protect Russian individuals and entities that are subject to sanctions imposed by foreign countries is a proposed blocking law that provides for criminal liability for implementing restrictions against a person based on a foreign country's sanctions (this bill is very vague and does not contain any guidelines as to what 'implementing restrictions based on a foreign country's sanctions' would mean). According to the bill, the maximum punishment for such crime is imprisonment for up to four years. Although the bill was introduced in 2018, its consideration was subsequently suspended. However, in February 2021, the speaker of the State Duma (the lower house of the Russian parliament) announced the resumption of consideration of the bill.

Since 2014, the US, the EU, Canada, Japan and Australia have imposed various targeted sanctions on Russia in connection with Russia's alleged interference in the sovereignty of Ukraine and its alleged interference in foreign elections, its use of a biological weapons against its citizens and other alleged 'malign activity'. In total, more than 1,500 individuals and entities are listed on various sanctions lists. In addition to freezing the assets of Russian individuals and entities, the sanctions also restrict US or EU individuals from providing financing to certain entities in defined sectors of the Russian economy (banking, oil and the defence and intelligence sectors of the Russian economy) and restrictions on US banks from purchasing primary debt issued by the Russian state and certain state bodies. The US sanctions also authorise the US government to sanction non-US persons if they engaged in significant transactions with sanctioned parties or assist a sanctioned person evade sanctions, or both.

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