

Russian Countermeasures



Countermeasure	Overview	Objectives	Examples	Impact on International Business
Market Intervention <i>NOTE: These measures are not aimed at international corporations but affect them greatly.</i>	Emergency suspension of market-based norms and greater economic intervention.	Prevent capital flight	Prohibition on transfers to foreign accounts in “unfriendly jurisdictions” for foreigners	Practical difficulties in repatriating profits and extracting value. Erosion of value of Russian assets.
		Support Russian ruble and stabilize exchange rates	Legalization of grey (parallel) imports without consent of official importers	
		Prevent temporary or permanent emigration by skilled workers	Suspension of bankruptcy proceedings until October 2022	
			Tax breaks and non-financial incentives (such as exemption from military draft) for certain industries	
		Criminalization of sanctions compliance for commercial directors [pending]		
Heightened Scrutiny on Western Companies <i>NOTE: Exercise of these powers may not be explicitly connected to conflict/sanctions.</i>	Use of existing powers against international corporations.	Obtain early warnings of shutdowns or downsizings	Examination by and requests from Ministry of Labor	Short-term increase in regulatory burden, disruption and stress on local management. However, unlikely per se to result in material impact.
		Persuade corporations into maintaining Russian operations	Audits by tax and customs authorities	
		Create appearance of useful institutional activity for protection of superiors	No-notice inspections by fire/safety/health authorities	
		International corporations may not be awarded compensation for emergency patent use authorized by government		
Constraints on Western Assets and Retroactive Measures	Legislation passed to restrict property rights of international corporations and/or limit freedom of contract.	Prevent “fire sale” of foreign-owned assets to asset strippers	Sale/purchase of real estate by international corporations requires government approval	Significant, where business activity relates to exercise of intellectual property.
		Prevent collapse of real estate market	Sale/purchase of equity by international corporations requires government approval	
		Maintain ruble’s position as dominant currency in Russian business	New force majeure regime for non-performance as a result of sanctions	
			Extension of IP-related contracts with mandatory Russian ruble payments	
Reduce volume of transactions passing through U.S. correspondent banks	Restrictions on operations of foreign bank subsidiaries [pending, certain limitations against Italian banks are in force]			
Suspension of Foreign Control <i>NOTE: International corporations may be allowed to regain control if they commit to maintaining operations in Russia, agree to sell assets to suitable buyer, or after cessation of sanctions.</i>	Create legal framework for the government or its delegates to take temporary control of assets owned by international corporations.	Prevent shutdowns of businesses operating in Russia	Court appointment of “External Administrator” to take control of assets where owner has stated intention to downscale or downsize in Russia or is suspected of harboring such intention [pending]	Significant. Considerable disruption, inability to control asset for prolonged period, erosion of value of assets and goodwill. Comparable to involvement in Russian bankruptcy proceedings.
		Preserve employment, at least in short term	Re-registration of foreign aircraft in the Russian register without consent of the owners	
		Dissuade corporations from making political statements	Foreign companies may no longer hold mining licenses and must transfer ownership to a company incorporated in Russia. [pending]	
Non-State Actor Interference <i>NOTE: These attempts are spontaneous, undermine central control, and may destabilize the economy. This means federal authorities may actually come to the aid of international corporations despite wider context.</i>	Attempts by non-state actors to exploit perceived weakness of international corporations in Russia.	Obtain personal benefit at expense of “unprotected” victim.	Bad faith/spurious litigation by local partner or shareholder to seize control of assets under color of law	Highly fact-specific. With correct strategy and crisis management, may retain control and value of asset despite short-term disruption and cost. Comparable to large fraud or corruption event.
			Raids/intimidation/theft by organized crime groups	
			Increase in fraud or embezzlement by corrupt employees/advisors	
			Increase in labor disputes and wage demands	