THE ANTI-BRIBERY AND ANTI-CORRUPTION REVIEW

Sixth Edition

Editor
Mark F Mendelsohn

THE LAWREVIEWS

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SIXTH EDITION

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PREFACE

This sixth edition of *The Anti-Bribery and Anti-Corruption Review* presents the views and observations of leading anti-corruption practitioners in jurisdictions spanning every region of the globe, including new chapters covering Argentina, Canada, Jersey and Sweden. The worldwide scope of this volume reflects the reality that anti-corruption enforcement has become an increasingly global endeavour.

Over the past year, the ripple effects from several ongoing high-profile global corruption scandals have continued to dominate the foreign and domestic bribery landscape. Most notably, in Brazil, Operation Car Wash, the wide-ranging investigation that uncovered a colossal bribery and embezzlement ring at state-owned oil company Petróleo Brasileiro SA (Petrobras), has implicated many domestic and multinational firms across a range of industries, and touched a growing number of foreign countries, leading to cross-border cooperation by enforcement agencies and one of the largest foreign bribery settlements in history. In December 2016, Odebrecht SA, the largest construction company in Latin America, and its subsidiary Braskem SA, a Brazilian petrochemical company, entered coordinated settlement agreements to pay approximately US$3.5 billion in fines and penalties to authorities in Brazil, the United States and Switzerland for making improper payments to government officials, including officials at Petrobras, Brazilian politicians and officials, and political parties through Odebrecht's off-book accounts in exchange for improper business advantages, including contracts with Petrobras. Additionally, J&F Investimentos SA, the parent company of the world's largest meatpacker JBS SA, entered a leniency agreement with Brazil's Federal Prosecutor's Office, agreeing to pay US$3.2 billion for its role in corrupting more than a thousand politicians over the course of a decade. Over the past year, Brazilian enforcement authorities have increasingly utilised plea bargains and leniency agreements both to secure cooperating witnesses and encourage companies to pay fines that ultimately reduce the financial and reputational impact from harsh sanctions.

Likewise, there have been further developments in the worldwide investigations into the misappropriation of more than US$3.5 billion in funds by senior government officials from state-owned strategic development company 1Malaysia Development Berhad (1MDB). The Swiss Office of the Attorney General has been pursuing a money laundering investigation into 1MDB and two Swiss private banks with the help of Singapore, Luxembourg, and the US Department of Justice (DOJ). In June 2017, the DOJ filed additional civil forfeiture complaints seeking recovery of assets valued at approximately US$540 million. Combined with the DOJ's June 2016 civil forfeiture complaints to recover more than US$1 billion in assets, this remains the largest civil forfeiture action ever brought under the DOJ's Kleptocracy Asset Recovery Initiative. The DOJ has also turned its focus to a criminal investigation into

1MDB, particularly in relation to funds used to acquire real estate and other assets in the United States.

Judicial and legislative developments over the past year have further clarified the breadth and scope of anti-corruption investigations and enforcement. For instance, in December 2016, the French parliament passed the Sapin II law, a corporate anti-corruption law that, among other things, established the French Anti-Corruption Agency and required companies with 500 or more employees to establish a compliance programme by mid 2017. In May 2017, the UK High Court in *Director of the Serious Fraud Office v. Eurasian Natural Resources Corporation Ltd* reduced the scope of litigation privilege to communications created to obtain information when the litigation is in progress or reasonably imminent, is adversarial, and the communication's primary purpose is conducting the litigation. If upheld, this has an impact on how investigative internal investigations in the UK are structured so as to maintain legal privilege. Finally, in June 2017, the US Supreme Court held in a unanimous decision in *Kokesh v. SEC* that claims for disgorgement brought by the Securities and Exchange Commission (SEC) were subject to a five-year statute of limitations, thereby limiting the SEC's ability to seek monetary penalties for misconduct that occurred more than five years before the enforcement action.

Continuing a recent trend, the enforcement actions this year reflect cooperation between authorities all over the globe to investigate and charge companies involved in corruption scandals. For example, the successful investigation into Odebrecht SA and Braskem SA was a result of cooperation between the DOJ, the Brazilian Federal Prosecutor's Office and the Swiss Office of the Attorney General. Likewise, in January 2017, the DOJ, the UK's Serious Fraud Office and the Brazilian Federal Prosecutor's Office reached an US$800 million coordinated settlement agreement with Rolls-Royce Plc, a UK-based multinational engineering company that manufactures, designs and distributes power systems, for its role in a bribery scheme involving payments to foreign officials around the globe in exchange for government contracts. And recently in September 2017, in the only corporate Foreign Corrupt Practices Act (FCPA) enforcement action under the Trump administration to date, Swedish international telecommunications company Telia Company AB and its subsidiary entered coordinated settlement agreements with the DOJ, SEC and the Public Prosecution Service of the Netherlands, agreeing to pay US$965 million in fines and penalties for making bribe payments of over US$331 million to an Uzbek official in exchange for expansion into the Uzbek telecommunications market. This is the second settlement arising from the expansive collaborative investigation into bribe payments made to an Uzbek government official; Amsterdam-based telecommunications company VimpelCom Limited and its subsidiary entered a US$795 million global settlement last year to resolve similar allegations as a result of cooperation between enforcement agencies in, among others, Belgium, Bermuda, the British Virgin Islands, the Cayman Islands, Estonia, France, Ireland, the Netherlands, Norway, Spain, Sweden and Switzerland.

In the United States, the DOJ has continued to emphasise the importance of an effective compliance programme and self-reporting. In February 2017, the DOJ Fraud Section released a guidance document, 'Evaluation of Corporate Compliance Programs', identifying a list of 119 common questions that the Fraud Section may ask in evaluating corporate compliance programmes in the context of a criminal investigation. Relatedly, April 2017 marked the one-year anniversary of the DOJ's Pilot Program, aimed at providing greater transparency on how business organisations can obtain full mitigation credit in connection with FCPA prosecutions through voluntary self-disclosures, cooperation with DOJ investigations, and

remediation of internal controls and compliance programmes. The Pilot Program remains in effect under the current administration, but its future remains uncertain as the DOJ continues to assess its utility and efficacy. To date, the DOJ has issued seven declinations to companies that self-reported and disgorged profits under the Pilot Program, with no monitorship requirements.

I wish to thank all of the contributors for their support in producing this volume. I appreciate that they have taken time from their practices to prepare chapters that will assist practitioners and their clients in navigating the corruption minefield that exists when conducting foreign and transnational business.

Mark F Mendelsohn
Paul, Weiss, Rifkind, Wharton & Garrison LLP
Washington, DC
November 2017

Chapter 22

RUSSIA

Alexei Panich and Sergei Eremin[1]

I INTRODUCTION

Although Russia was ranked 131 out of 176 countries on Transparency International's 2016 Corruption Perceptions Index,[2] sharing the spot with Iran, Kazakhstan, Nepal and Ukraine, in its Third Round Evaluation Report published on 21 November 2016,[3] the Group of States against Corruption (GRECO) considered Russian anti-corruption law to be fairly robust, as anti-bribery legislation has undergone significant development over the past years and continues to improve. However, levels of corruption and financial abuse remain abnormally high.

Russia is a member of all the main international organisations and conventions on countering corruption and makes efforts to implement all recommendations and comply with international standards. For instance, significant amendments are being introduced into national legislation aimed at combating bribery and corruption. The Supreme Court (the highest criminal justice body in Russia) redrafted its binding commentary on public and commercial bribery. Even the president and other state officials stipulate that combating corruption is the core goal of the government in the coming years: in April 2016 President Putin approved a National Plan to Counter Corruption for 2016–2017 providing a list of measures aimed, in particular, at further improving the institutional framework for countering corruption in Russian subjects.

At the same time, a detailed analysis of the amendments to the legislation leaves significant room for concern over its workability. Similarly, actual enforcement levels do not indicate a strong trend of the government cracking down on corruption.

Separately, information on particular criminal cases is only available to a limited extent. Unlike the rulings of *arbitrazh* courts, which consider commercial disputes, the rulings of general jurisdiction courts dealing with criminal proceedings are not generally available on legal databases, which makes researching this topic somewhat more difficult.

II DOMESTIC BRIBERY: LEGAL FRAMEWORK

i Overview of the main legislation

Russian anti-bribery legislation comprises the following statutes:

a the Criminal Code of 1996;

b the Anti-Corruption Law of 2008;

1 Alexei Panich is a partner and Sergei Eremin is a senior associate at Herbert Smith Freehills CIS LLP.

2 www.transparency.org/news/feature/corruption_perceptions_index_2016#table.

3 https://rm.coe.int/16806cc128.

c the Law on control over the spending of the state authorities of 2012;
d the Law banning certain categories of individuals from having foreign bank accounts of 2013;
e the Administrative Code of 2001; and
f the Anti-Money Laundering Law of 2001, as amended.

The 2008 Anti-Corruption Law sets out the general principles for fighting corruption. It provides a legal definition of 'corruption', which comprises active and passive bribery (including commercial bribery), misuse of public authority and other abuses of rights by an individual aimed at gaining monetary or other benefits contrary to state or public interests. This Law provides a general framework while leaving particular sanctions for corrupt activities to other pieces of legislation referred to above. One of the core ideas of this Law is transparency and control over gains made by public officials. The Law obliges certain state and municipal officials to disclose their property, income and financial obligations as well as those of their spouse and children who are minors. A separate duty exists to disclose any attempts to engage them in corruption. The Law also obliges them to disclose any conflicts between their personal interests and the public interest that may be affected.

The 2008 Anti-Corruption Law also imposes certain restrictions on the activities of officials such as receiving gifts or entertainment in connection with their official position, carrying on business activities, taking on any paid work except for teaching, science or arts, receiving remuneration for publications and presentations made in their capacity as an official, etc.

Bribery and money laundering offences are punishable under the Criminal Code. However, unlike in many other countries, in Russia only individuals can be criminally liable – legal entities cannot be. Both receiving and giving a bribe are punishable. The law provides for severe criminal sanctions (imprisonment, etc.) for individuals found guilty of these crimes.

Bribery within Russia is punishable irrespective of the nationality of the individuals involved. If bribery is committed by a Russian national outside Russia, he or she will be subject to liability under the Russian Criminal Code if there is no relevant foreign court sentence in relation to the crime. The same applies to foreign nationals who commit a crime of corruption outside Russia against the Russian state or against Russian nationals in the context of commercial bribery.

The Law on control over the spending of the state authorities of 2012 was widely announced as a novel anti-corruption measure aimed at reporting the earnings and spending of certain officials. While certain state and municipal officials are required to report their income, property and financial obligations (see above), not all of them are currently required to report their spending as well. This list includes high-ranking officials, for instance, officials appointed by the President, members of the board of directors of the Central Bank and officials designated by them, the Attorney General, high-ranking officials in state corporations, judges, etc. The reporting should cover not only the officials themselves, but also their spouses and minor children. Though widely advertised, this Law does not appear to be workable because of poor enforcement. Moreover, it does not capture the spending of the adult children and other relatives of the officials.

Another heavily promoted piece of legislation that was enacted in 2013 prohibits certain state and municipal officials, their spouses and minor children from opening and having accounts (deposits), keeping cash and valuables in foreign banks located outside the territory of Russia, and owning or using foreign financial instruments. The specified

officials were required to close existing accounts (deposits) and cease any prohibited activity within three months of the law coming into force. The ban does not apply to officials who permanently hold public office outside the territory of Russia. So far, the only visible effect of this law was that several senators (members of the Federation Council, the upper chamber of the Russian parliament) retired or disposed of their offshore businesses.

In addition to criminal liability, the Civil Code of 1996 prohibits gifts exceeding 3,000 roubles being made to state officials and gifts between legal entities, and imposes civil law sanctions for violation of the above prohibitions. Special legislation (for instance, the Law on State Civil Service) provides for ways to deal with gifts received by governmental and other qualifying officials. Notably, irrespective of their value, gifts aimed at achieving corrupt goals are prohibited and may constitute criminal bribery. Whether the corrupt goal exists is a judgment that requires legal analysis on a case-by-case basis. For example, a gift provided to an official at the registration chamber with a view to facilitating the production of documents may be regarded as a bribe as the connection is pretty clear. The same gift to a high-level official on his or her birthday is unlikely to be regarded as a bribe unless it is evidently connected with his or her 'assistance' in a tender for a multimillion dollar contract.

The Administrative Code also provides for administrative liability (fines, injunctions, etc.) for certain misdemeanours (e.g., failure to comply with certain anti-money laundering legislative requirements (see subsection iv, below)).

Disciplinary measures may also apply to civil servants accused of corrupt practices.

ii Definition of 'public official'

'Public officials' who may be criminally prosecuted for receiving bribes include, generally, persons who act as representatives of governmental bodies or have administrative or organisational power in governmental bodies, municipal bodies, state and municipal institutions, the army, state corporations and state companies, state and municipal unitary enterprises, joint-stock companies the controlling interest in which belongs to the Russian state, a Russian subject or a municipal body. Receiving a bribe is also punishable for individuals occupying 'state positions' (i.e., those established by the Russian Constitution, federal constitutional laws and federal laws for performance of the functions of governmental bodies). A similar provision relates to individuals occupying 'Federation subject positions'. Municipal servants may be subject to criminal prosecution for bribery only in specific cases.

A wider understanding is given to the term 'public official' for the purposes of anti-corruption legislation apart from the Criminal Code. Under this legislation, the term 'public officials' includes any elected or appointed official or employee in any Russian government body in the executive, legislative or judicial branches at any level of government as well as officials who perform municipal services. In the case of non-municipal officials, pursuant to the State Service Law, the Russian government maintains a listing of the categories of employees who are considered civil servants subject to that law. In specific cases the employees of state corporations, public companies and certain other non-commercial state organisations (the Central Bank and governmental funds) should also be considered as public officials.

iii Public and commercial bribery

The Criminal Code distinguishes between bribes to state officials and bribes to officers of commercial entities (public and commercial bribery). The difference is in the identity of the person receiving the bribe. In the case of commercial bribery, the recipient is a person

performing management functions in a commercial or other corporate entity, such as a CEO, board member, or a person otherwise performing organisational or management functions in such entities.

The Criminal Code provides a wide range of sanctions depending on elements of the crime and the amount of the bribe, however in this chapter we will focus only on the maximum sanctions for each crime.

iv Sanctions

Public bribery

Receiving bribes

The maximum sanctions for public officials receiving a bribe are as follows:

a a fine of up to 5 million roubles or of the amount equivalent to income for a period of up to five years, or up to 100 times the amount of the bribe; and

b imprisonment for up to 15 years.

These sanctions may be combined together or with disqualification for up to 15 years and may also include correctional work for up to two years and compulsory work for up to five years.

Giving bribes

The maximum sanction for giving bribes are as follows:

a a fine of up to 4 million roubles or of the amount equivalent to income for a period of up to four years, or up to 90 times the amount of the bribe; and

b imprisonment for up to 15 years.

These sanctions may be combined together or with disqualification for up to 10 years and may also include correctional work for up to two years and compulsory work for up to three years.

The giver of a bribe will be released from liability if he or she voluntarily reported the bribe to the authorities or if the bribe was extorted by the official and if he or she actively assists with case clearance or the investigation (or both).

The CEO of a company on whose behalf a bribe has been paid will only be criminally liable if he or she was personally involved in giving or concealing the bribe. The CEO will not suffer any criminal liability if he or she was not aware of the bribe.

Bribery intermediation

Bribery intermediation was introduced as a separate crime and is defined as direct delivery of a bribe to the receiver at the request of either the giver or receiver of a bribe, or assistance to the giver or receiver in the negotiation or performance of the agreement between them to give and receive a bribe. A proposal or promise of intermediation is also punishable.

The maximum sanctions are as follows:

a a fine of up to 3 million roubles or of the amount equivalent to income for a period of up to three years, or up to 80 times the amount of the bribe; and

b imprisonment for up to 12 years.

These sanctions may be combined together or with disqualification for up to seven years.

An intermediary would be released from liability if he or she actively helped to discover or prevent the crime, and voluntarily notified the authorities of the fact that he or she had acted as an intermediary for the bribery.

Minor public bribery

Like bribery intermediation, minor public bribery was recently introduced as a separate crime and is defined as giving or receiving a bribe personally or through an intermediary for a maximum amount of 10,000 roubles. A person found guilty of minor public bribery may be fined up to 200,000 roubles or of the amount equivalent to income of up to three months or sentenced to correctional work for up to one year or limitation of freedom for up to two years, or imprisonment for up to one year.

A person who has a criminal record for bribery or bribery intermediation is sanctioned more severely for minor bribery and may be fined up to 1 million roubles or of the amount equivalent to income for a period up to one year, or sentenced to correctional work for up to three years or limitation of freedom for up to four years, or imprisonment for up to three years.

A donor of a small bribe would be released from liability if he or she voluntarily reported the bribe to the authorities or if the bribe was extorted by the official and if he or she actively assists with case clearance or the investigation (or both).

Exemptions and defences

There is, however, an exemption under which a present to an official will not constitute a bribe. Providing common gifts (e.g., flowers, sweets, perfume) would not constitute a violation, and should be analysed in connection with the above-mentioned express allowance in the Civil Code for gifts of up to 3,000 roubles. In the absence of corrupt intent, and below the 3,000 roubles threshold, a gift or entertainment will fall within this exception. There is no 'facilitating payments' exception in Russian law.

A person that has committed public bribery has two available defences under the Criminal Code. The first defence, which applies if he or she is assisting with the prosecution of the bribery, constitutes proving that the public official insisted on receiving the bribe as a condition for the commission of a certain act (or for inaction). The second defence, which applies before initiation of criminal proceedings, constitutes the person who has given the bribe voluntarily reporting it to the authorities promptly after having given it. The first defence is most likely to arise where a facilitation payment has been made, since the situation may be connected with a refusal to perform a routine action rather than any illegal actions of the official.

Commercial bribery

Giver of the bribe

The maximum sanctions for the giver of a bribe are as follows:

a a fine of up to 2.5 million roubles or of the amount equivalent to income for a period of up to two-and-a-half years or up to 70 times the amount of the bribe; and

b imprisonment for up to eight years.

These sanctions may be combined together or with disqualification for up to five years and may also include correctional work for up to two years and limitation of freedom for up to two years.

Receiver of the bribe

The maximum sanctions for the recipient are as follows:

a a fine of up to 5 million roubles or of the amount equivalent to income for a period of up to five years or up to 90 times of the bribe; and

b imprisonment for up to 12 years.

These sanctions may be combined together or with disqualification for up to six years.

Commercial bribery intermediation

The maximum sanctions for bribery are as follows:

a a fine of up to 1 million roubles or of the amount equivalent to income for a period of up to three years or up to 70 times the amount of the bribe; and

b imprisonment for up to seven years.

These sanctions may be combined together or with disqualification for up to six years.

Minor commercial bribery

Minor commercial bribery has been also recently introduced in the Criminal Code and its threshold is the same as for minor public bribery. A person guilty of minor commercial bribery may be fined up to 150,000 roubles or of the amount equivalent to income for a period of up to three months, or sentenced to compulsory work for up to 200 hours or correctional work for up to one year or limitation of freedom for up to one year.

As in cases of minor public bribery, if a person has a criminal record for commercial bribery or commercial bribery intermediation then sanctions are more severe: a fine of up to 500,000 roubles or of the amount equivalent to income for a period of up to six months or correctional work for up to one year or limitation of freedom for up to two years, or imprisonment for up to one year.

Defences

A person that has committed commercial bribery, including minor commercial bribery, has a defence if he or she actively helped discover or prevent the crime, and either he or she voluntarily reported the bribery to the authorities or the bribe was extorted by the official. An intermediary would also be entitled to a similar defence.

Bribery provocation

Criminal liability for bribery provocation has recently been introduced to the Criminal Code. It may arise, for example, for a person who attempts to bribe a public official or an official in a commercial organisation without their knowledge or consent with the purpose of artificially producing evidence of bribery or blackmail as a result of collaborating with law enforcement authorities trying to conduct an investigative action of doubtful legality.

Administrative liability

The Administrative Code imposes monetary sanctions on both public officials and private parties for a wide variety of minor offences that may fall under the umbrella of corrupt activities.

Examples include bribing voters, customs violations, various types of non-performance of duties by public officials, failure to follow court and administrative orders, the use of false information, and public health violations.

As already mentioned, legal entities cannot be held criminally liable in Russia. To rectify this, in 2009 administrative liability was introduced in the form of a penalty that can be imposed on any legal entity found to have been involved in bribery.

A legal entity that benefits from a bribe given by its employee or an intermediary is subject to a fine that depends on the amount of the unlawful remuneration paid. The maximum sanction is a fine of up to 100 times the amount of the bribe, which cannot be less than 100 million roubles plus seizure of the pay-off.

III ENFORCEMENT: DOMESTIC BRIBERY

As mentioned in Section I, information on criminal cases in Russia is only available to a limited extent.

Until a court ruling on the matter is issued, the case materials may be covered by investigation privilege. Information relating to investigations and any findings are required to be kept secret except in a limited number of circumstances. Unauthorised disclosure of such information would give rise to criminal liability.

The non-disclosure obligations apply to all persons involved in the investigation process (members of law enforcement agencies, suspects, victims, witnesses, etc.). The officials of the relevant investigating authority will notify other participants involved in the investigation that disclosure of any such information will incur criminal liability. The latter must acknowledge this notification in writing. Similarly, tipping-off in relation to anti-money laundering investigations is prohibited. Banks, credit institutions, accountants, lawyers, notaries and other persons may not disclose the fact that their client is being investigated. The above explains why very limited information may be publicly available at the investigatory stage.

After the case is considered by the court, a court ruling is published, but not necessarily in the aggregated databases. This adds difficulty to summarising the enforcement practices for these matters.

Occasionally the Supreme Court publishes its guidelines on various types of crimes. The latest guidelines on public and commercial bribery were published on 9 July 2013 and amended on 3 December 2013. Although largely reworded, they are more or less in line with the previous guidelines issued in 2000 and amended several times.

IV FOREIGN BRIBERY: LEGAL FRAMEWORK

Giving a bribe to a foreign public official or an official of an international public organisation is punishable in Russia under the Criminal Code in the same manner as giving a bribe to a Russian public official.

A foreign public official is any person appointed or elected to any position in a legislative, executive, administrative or judicial body of a foreign country, as well as any person performing public functions for any foreign state, including for a public body or public corporation (the Supreme Court gives the following examples: a minister, mayor, judge or prosecutor).

Officials of an international public organisation are defined much more narrowly: these are the members of parliamentary assemblies of the international organisations that Russia is a party to, or the individuals occupying judicial positions in any international court acknowledged by Russia.

Russian legal entities conducting illegal activities outside Russia are subject to administrative liability if the violation is directed against the interests of Russia or in cases stipulated by international treaties ratified by Russia. The same approach is applicable to foreign legal entities that commit bribery acts counter to the interests of Russia. The provisions should not apply where the violating entity has already been brought to administrative or criminal liability by the foreign state.

V ASSOCIATED OFFENCES: FINANCIAL RECORD-KEEPING AND MONEY LAUNDERING

As mentioned in Section II.i, in Russia, a criminal prosecution may only be carried out against individuals and not companies. To that end, financial recording and internal compliance procedures would normally have nothing to do with the criminal prosecution of corruption and bribery. At the same time, if, for instance, the bribe is paid out of a company's funds, its management or other people involved in the payment could be accused of being complicit in the bribery.

The Anti-Money Laundering Law governs anti-money laundering activities and generally complies with international anti-money laundering standards, as confirmed by the Financial Action Task Force.

Pursuant to the Criminal Code, a money laundering offence is committed where financial operations and transactions involving property obtained by illegal means are entered into to make the possession, use and disposal of the property appear lawful. As such, where a company is in possession of the proceeds of a contract obtained by corruption, the possession is unlikely of itself to constitute money laundering (although corrupt individuals would be subject to criminal proceedings). However, where the proceeds are then used in subsequent transactions, the transactions would be deemed to be money laundering.

VI ENFORCEMENT: FOREIGN BRIBERY AND ASSOCIATED OFFENCES

In recent years, Russian investigatory authorities have not reported any successful foreign bribery investigations.

VII INTERNATIONAL ORGANISATIONS AND AGREEMENTS

As mentioned in Section I, Russia is a member of all the main international organisations and conventions aimed at countering corruption activities.

On 9 May 2006, Russia ratified the UN Convention against Corruption (2003); on 4 October 2006 it ratified the Council of Europe Criminal Law Convention on Corruption; and on 1 February 2007 it became a member of GRECO.

Further, on 17 February 2012, Russia ratified the Organisation for Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997).

VIII LEGISLATIVE DEVELOPMENTS

On 9 January 2014, the Russian government issued a regulation relating to anti-corruption. According to the new regulation, public officials shall inform their employees of any gifts received in connection with their position. In light of the new regulation a possibility of interpretation exists whereby employees of state-owned legal entities would be subject to the same rules as public officials with respect to the prohibition on making gifts to them. No clarification has yet been given as to the operation of this regulation. The practice shows so far that these could be state-owned federal state institutions incorporated to perform not-for-profit activities. However, we cannot rule out that these rules may apply to employees of state-owned profit-making companies (other than state corporations).

Russian anti-corruption legislation continues to improve every year to fulfil the obligations under international agreements. As stated in last year's chapter, in August 2016 a proposal to introduce a register of public officials whose employment was terminated because of loss of credibility as a result of corruption-related offences was introduced to the parliament. According to the draft law, the register would cover municipal officials, military officials, persons holding positions at the Central Bank, governmental funds and state-owned companies. This draft law was approved and adopted on 1 July 2017 and will enter into force on 1 January 2018.

Further, in July 2017 a new draft law proposing amendments to criminal liability for bribery was introduced. It provides for criminal liability of domestic and foreign arbitrators for commercial bribery, qualifies the provision of non-proprietary rights and unlawful benefits (e.g., matriculation of children to university) as bribery, and extends the term of imprisonment to a maximum of four years for the givers and receivers of bribes for the crime of public bribery. The proposals to criminalise 'offering', 'promising' and 'requesting' a bribe or an advantage, and 'accepting an offer or promise' are being discussed in legal circles, but no draft law is being considered in the parliament at the moment.

IX OTHER LAWS AFFECTING THE RESPONSE TO CORRUPTION

There are several issues that should be kept in mind with respect to the specifics of the Russian anti-corruption regime.

i Self-incrimination

Russian law recognises the privilege against self-incrimination in relation to all types of investigations in Russia. There is a right of silence for a suspect but no such right for a witness. If a witness avoids giving testimony without just cause, he or she may be compelled to attend court or meet with investigators to give evidence.

ii Advocates

As a general rule, in criminal investigations legal assistance is provided by qualified 'advocates'. Advocates are legal professionals admitted to advocacy practice as a result of passing the bar exam. Communication between the advocate and his or her client is legally protected but to a much lesser extent than in certain Western jurisdictions where legal professional privilege applies. This legal protection covers all information connected with an advocate's legal assistance to the client. The advocate cannot be subject to interrogation concerning information he or she became aware of while providing legal assistance to his or her client.

Documents and other materials received from the client in connection with providing legal assistance cannot be seized. Any lawyers who are not advocates do not enjoy any legal privilege with respect to the communications and documentation between them and their clients.

iii Plea-bargaining

Although there is no formal plea-bargaining under Russian law, the Criminal Code provides for an option for the suspect or accused to enter into a 'pretrial' agreement on cooperation with the prosecutor. According to these agreements the suspect or accused admits committing a crime, discloses its details (place, date, etc.) and agrees to provide the investigation with certain assistance. These pretrial agreements also include a list of circumstances that may be used by a court as a basis for reducing the sentence of the suspect or accused.

If a suspect or accused complies with the terms of a pretrial agreement, a court may reduce the sentence (as a general rule, the sentence cannot be more than two-thirds of the most severe sanction provided for such a crime). The fact that such a pretrial agreement is entered into will not itself predetermine the type or amount of sentence, as this remains at the court's discretion.

iv Whistle-blowing

There is no general whistle-blowing obligation under Russian criminal law. However, such an obligation does exist under anti-money laundering legislation. Banks, lawyers, notaries, accounting organisations and certain other groups of persons are under an obligation to report to the regulator any transactions by their clients (without tipping their client off) that breach the anti-money laundering legislation and fall within certain categories, including:

a transactions involving 600,000 roubles or more;

b receipt of monetary funds in the amount of 100,000 roubles or more by Russian non-commercial entities from foreign states, international organisations, foreign companies, citizens of foreign states and stateless citizens, and expenditure of the same;

c crediting and debiting accounts in an amount of 10 million roubles or more of Russian companies that are of strategic importance for the military industrial sector and security of Russia, and companies under their control;

d second and subsequent crediting and debiting accounts of 50 million roubles or more of the legal entity performing the state defence order;

e real estate transactions involving 3 million roubles or more if as a result of the transaction title to the real estate property would be transferred to another person;

f transactions entered into by a person or a legal entity known to be involved in extremism or terrorism; and

g any other suspicious transactions that reasonably could be related to money laundering or terrorist financing.

Failure to comply with this obligation may trigger an administrative liability, namely a fine of up to 1 million roubles, or result in the company's activities being suspended for up to 90 days. It may also trigger the revocation of a licence to carry out banking operations. Companies would not have to report themselves for money laundering if they suspect a contract had been obtained by bribery where they were in possession of the proceeds of a crime. While a money laundering offence might be committed by a company if it subsequently used that sum, there would be no obligation on the company to report itself for money laundering. However, it might be prudent for a company to consider reporting the matter to the authorities.

Furthermore, in the absence of a general 'whistle-blowing' obligation under Russian criminal law, the concealment of a gravest crime (if not promised in advance) constitutes a crime itself. If the concealment was promised in advance, it may constitute crime complicity. Recently, the failure to report crimes connected with terrorism and certain other crimes was introduced as a separate crime into the Criminal Code.

X COMPLIANCE

The workability of compliance programmes in Russia is not guaranteed, in particular with respect to criminal prosecutions. At the same time, they could serve well before the regulator and investigators in anti-money laundering proceedings.

The changes to anti-corruption legislation in 2013 tried to encourage Russian companies (which thus far have not adopted any anti-corruption compliance measures) to change their mindset, as new provisions came into effect setting forth various anti-corruption measures that may be used by companies. This stimulus hardly worked because of the non-mandatory 'may' form of wording used by the law. However, unlike many Russian companies, the Russian Ministry of Labour did pay attention to the new amendments and prepared best-practice guidelines, the 'Methodical Recommendations on Development and Implementation by Organisations of Measures for Preventing and Counteracting Corruption' (the Recommendations), amended as of 8 April 2014. Although the Recommendations are not binding, the actions of the Ministry hint that the government may in the near future start enforcing the anti-corruption provisions of the legislation with respect to compliance programmes.

XI OUTLOOK AND CONCLUSIONS

As can be seen from the above discussion, Russian anti-corruption and anti-bribery legislation has developed significantly over the past few years.

Currently, the effective enforcement of the existing legal framework is a significant challenge for the government. It remains to be seen how it will work in practice.

We expect more clarity on the matter in the coming years.

Appendix 1

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