



RUSSIA: EUROPEAN UNION AND UNITED KINGDOM SANCTIONS

by The Swedish Club and Reed Smith LLP
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Overview

The EU and UK have adopted similar sanctions regimes with regard to Russia.

The relevant EU regulations are Council Regulation (EU) No 833/2014, Council Regulation (EU) No 208/2014, Council Regulation (EU) No 692/2014, Council Regulation (EU) Regulation 269/2014. The EU regulations adopted following Russia's invasion in Ukraine in February/March 2022 are Council Regulation (EU) No 2022/262, Council Regulation (EU) No 2022/328, Council Regulation (EU) No 2022/329, Council Regulation (EU) No 2022/334, Council Regulation (EU) No 2022/335, Regulation (EU) 2022/345, Regulation (EU) 2022/428 and Regulation (EU) 2022/576.

The UK regulations relating to Russia are the The Russia (Sanctions) (EU Exit) Regulations 2019 (the "UK Russia Regulation") and the UK's Global Human Rights Sanctions Regulation 2020. The former was introduced following the UK's exit from the EU and largely replicates the terms of the EU regulations above.

Most recently, in February 2022, the UK has introduced The Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022, expanding the criteria for designation.

Who do the EU and UK Sanctions apply to?

The scope of the EU and UK sanctions regimes are very similar in how they apply in their respective jurisdictions. Specifically, both apply:

- (a) within the territory of the EU / UK respectively, including their airspace;
- (b) on board any aircraft or any vessel under the jurisdiction of an EU Member State / the UK;
- (c) to any person inside or outside the territory of the EU / UK, who is a national of an EU Member State / the UK;
- (d) to any legal person, entity or body which is incorporated or constituted under the law of an EU Member State / the UK; and
- (e) to any legal person, entity or body in respect of any business done in whole or in part within the EU / UK.

This will include Owners, Managers, Operators, Charterers and even vessels which are registered, incorporated, constituted or do business in whole or in part within the EU / UK.

The sanctions do not apply to non-EU / non-UK companies. However, if those companies take any action that is in breach of sanctions, associated EU / UK companies and employees who are EU / UK citizens may face penalties under the EU and UK regimes.

In addition, non-EU / non-UK companies may face sanctions in respect of any business they conduct that is done in whole or in part within the EU / UK. The sanctions would be limited to that particular business, and would not extend to exclusively non-EU / non-UK business carried out by those companies.

Prohibitions: Overview

The prohibitions of greatest significance to the shipping sector relating to Russia, Ukraine, Crimea and Sevastopol are:

A. Asset freezes

Under EU and UK regulations, all funds and economic resources belonging to, owned, held or controlled by listed parties are to be frozen. In addition, no funds or economic resources shall be made available, directly or indirectly, to or for the benefit of listed parties. The prohibition on making available funds and economic resources goes beyond prohibiting direct payments to listed parties. Indirect payments, such as payment to a non-listed party who then in turn pays the money to a listed party, are prohibited.

B. Territorial sanctions

Territorial sanctions on financing, trade in key sectors and investment in Crimea and Sevastopol.

C. Sectoral sanctions

Sectoral sanctions, specifically targeting the energy, oil exploration and production, dual use and arms sectors.

D. Financial sanctions

Financial sanctions aimed at restricting the access of certain Russian entities and key companies to EU and UK capital markets.

The EU measures were first adopted in 2014 and have been amended and developed since then. The UK measures were introduced following the UK exiting the EU and effectively replace the equivalent EU measures.

Further guidance on these restrictions can be found at pages 3 to 10 below.

Due diligence as a defence to liability

The EU and UK sanctions regulations implementing these prohibitions include a defence to liability where the person or entity concerned “*did not know, and had no reasonable cause to suspect*”, that their actions would infringe the relevant prohibitions.

Conducting thorough investigations into any particular trade or transaction involving sanctioned jurisdictions is, therefore, critical; well-documented investigations and screenings may serve as a defence to unintentional sanctions violations.

Anti-circumvention

The EU and UK sanctions regulations contain anti-circumvention wording that provides that it “*shall be prohibited to participate, knowingly and intentionally, including indirectly, in activities the object or effect of which is to circumvent the prohibitions ...*”. Therefore, even if a transaction is not in direct breach of sanctions, if it intended to circumvent sanctions, a violation and liability may still arise.

A. Dealing with Designated Parties: Asset Freezes

Background

The EU have implemented asset freeze measures against two different categories of person under its Russia related sanctions regime:

1. persons identified as responsible for the misappropriation of Ukrainian State funds and persons responsible for human rights violations in Ukraine, and natural or legal persons, entities or bodies associated with them; and
2. persons responsible for actions which destabilised, undermined or threatened the territorial integrity, sovereignty and independence of Ukraine, and natural or legal persons, entities or bodies associated with them.

The UK has implemented asset freezes on similar bases under the two UK regulations listed above.

What is prohibited?

1. Funds and economic resources belonging to, owned, held or controlled by designated parties are to be frozen.

→ *What does this mean?*

This provision is largely aimed at banks and financial institutions, who must freeze all accounts belonging to, owned, held or controlled by designated parties.

2. No funds or economic resources shall be made available, directly or indirectly, to or for the benefit of designated parties.

→ *What does this mean?*

No payments can be made to any party designated by the EU and UK regimes, either directly or indirectly (e.g. making the payment to a non-designated party in the knowledge that they will pay it on to the designated party).

No payments can be made “for the benefit of” a designated party. This includes, for example, making payments to a non-designated company which is owned or controlled by a designated party.

The prohibition extends beyond the payment of monies to “economic resources”. These are defined by the EU and UK regimes as “assets of every kind, whether tangible or intangible, movable or immovable, which are not funds, but which may be used to obtain funds, goods or services”. This can include letters of credit, bills of lading and bills of sale.

The wide scope of this provision emphasises the importance of thoroughly investigating all parties involved in a particular transaction or trade.

How can I avoid a breach?

Thorough investigations must be carried out in order to determine whether any party involved in a transaction is designated. If so, there is a risk that involvement in the transaction will amount to sanctionable conduct, even if the listed party is not a direct contractual counterpart.

The following investigations should be carried out:

- (a) Identify all parties involved in the transaction, for example shippers, receivers, agents and any intermediaries.

- (b) Investigations must go further than simply identifying the names of the parties and checking them against the asset freeze lists. The prohibitions extend to parties owned and controlled by designated persons. Where possible the corporate structure, ownership and control of all companies involved in the transaction should be investigated.
- (c) Where a cargo is to be loaded or discharged in Russia, the relevant ports and terminals must be identified. Involvement in a trade which would require payment of port dues and other similar charges to a designated entity, either directly or indirectly, is likely to amount to a breach of sanctions.

It is also necessary to consider whether a non-designated party is owned or controlled by a designated party.

Under the UK sanctions regime, a party is considered to be “owned or controlled” by another party if:

- (a) that person holds directly or indirectly more than 50% of the shares or voting rights in the company or the rights to appoint or remove a majority of the board of directors of that company; and
- (b) it is reasonable, having regard to all the circumstances, to expect that that person would (if such person chose to) be able, in most cases or in significant respects, by whatever means and whether directly or indirectly, to achieve the result that affairs of the company are conducted in accordance with that person’s wishes.

Under EU regulations, a party is considered to be “owned” by another party which is in possession of more than 50% of its proprietary rights, or which has a majority in it. There is no definitive meaning of “control” for the purposes of the EU sanctions regime – however, it is likely to follow similar principles to the UK position.

Are there any situations in which payments can be made to a designated party?

Under the EU and UK sanctions regulations, payments to designated parties may be authorised in certain specified circumstances. The majority of these are not relevant to a commercial situation, and reflect circumstances such as satisfying the basic needs of designated parties, or the payment of fees or service charges for the maintenance of frozen funds.

Funds may be added to frozen accounts where they reflect payments due under contracts, agreements or obligations that were concluded or arose before the date on which the designated party in question was listed. Those funds must then be immediately frozen.

Under EU regulations, these payments must be authorised by the relevant authority in the Member State of the party making the payment. Those authorities are listed in the relevant EU regulations. Such payments must also be notified to the EU Sanctions Committee, who must not object to the payment (subject to an exception under Article 6a of Regulation 269/2014 relating to payments to Crimean Sea Ports).

Under the UK Russia Regulation, similar exceptions apply and a licence to carry out any such payments must be obtained from the UK’s HM Treasury.

Even if it appears that a particular payment may be permitted, it should never be assumed that authorisation will be given.

Are there any situations in which funds may be released from a frozen account?

In the EU, the competent Member State authorities may authorise release of frozen funds or economic resources where:

- (a) the funds or economic resources are:
 - i. the subject of an arbitral decision rendered prior to the date on which the designated party was put on the asset freeze list, or of a judicial or administrative decision rendered in the EU, or a judicial decision enforceable in the Member State concerned, prior to or after that date; and

- ii. will be used exclusively to satisfy claims secured by such a decision or recognised as valid in such a decision, within the limits set by applicable laws and regulations governing the rights of persons having such claims; and
- iii. the decision is not for the benefit of a party on the asset freeze list and is not contrary to public policy in the Member State concerned.

(b) if a payment is due under a contract or agreement concluded, or an obligation that arose, before the party was designated provided that the payment will not be directly or indirectly received by a designated party.

Under UK regulations, similar exceptions to those of the EU listed above apply, save that a HM Treasury licence is required to authorise any such release of frozen funds or economic resources that fall under the above exceptions.

How can I find out which parties are designated?

A complete list of all parties designated by the EU regime can be found [here](#).

A complete list of all parties designated by the UK regime can be found [here](#).

B. Territorial sanctions on financing, trade in key sectors and investment in Crimea and Sevastopol

The EU and UK both impose substantial territorial sanctions on financing, trade in key sectors and investment in Crimea and Sevastopol. The EU restrictions are primarily set out in Regulation 692/2014 (as amended).

What is prohibited?

Subject to certain exceptions and possible permissions, the following activities are prohibited under the relevant EU restrictions:

- (a) importing into the EU goods originating in Crimea or Sevastopol and providing, directly or indirectly, financing or financial assistance, as well as insurance and reinsurance related to those goods;
- (b) acquiring any new or extending any existing participation in ownership of real estate located in Crimea or Sevastopol;
- (c) acquiring any new or extending any existing participation in ownership or control of an entity in Crimea or Sevastopol, including acquiring in full of such entity, or the acquiring of share and other securities of a participating nature of such entity;
- (d) granting or being part of any arrangement to grant any loan or credit of otherwise provide financing, including equity capital, to any entity in Crimea or Sevastopol, or for the documents purpose of financing such entity;
- (e) creating any joint venture in Crimea or Sevastopol or with an entity in Crimea or Sevastopol;
- (f) providing investment services directly related to the activities identified in paragraphs b) to e) above;
- (g) selling, supplying, transferring or exporting, directly or indirectly listed equipment and technology relating to transport, telecommunications, energy, oil and gas to companies incorporated in Crimea or Sevastopol, or for use in that region;
- (h) providing, directly or indirectly, technical assistance or brokering services, related to such listed goods and technology or related to the provision, manufacture, maintenance and use of such items to any natural or legal person, entity or body in Crimea or Sevastopol or for use in Crimea or Sevastopol;
- (i) providing, directly or indirectly, financing or financial assistance related to such listed goods and technology to any natural or legal person, entity or body in Crimea or Sevastopol of for use in Crimea of Sevastopol;

- (j) providing technical assistance, or brokering, construction or engineering services directly related to infrastructure in Crimea or Sevastopol in the transport, telecommunications, energy and prospection, exploration and production of oil, gas and mineral resources sectors, independently of the origin of the goods and technology;
- (k) providing services directly related to tourism activities in Crimea or Sevastopol, including any ship providing cruise ship services, entering or calling at any of the following ports situated in the Crimean Peninsula, namely Sevastopol, Kerch, Yalta, Theodosia, Evpatoria, Chernomorsk and Kamysh-Burun.

The UK Russia Regulation largely replicates these restrictions in relation to the UK. On 1 January 2021, the Office of Financial Sanctions Implementation (“OFSI”) issued a general licence permitting payments to the State Unitary Enterprise of the Crimean Republic “Crimean Sea Ports” for services provided at the ports of Kerch Fishery Port, Yalta Commercial Port and Evpatoria Commercial Port, as well as for services provided by Gosgidrografiya and by Port-Terminal branches of the Crimean Sea ports – thus effectively mirroring the EU exception referred to above.

C. New Sanctions in Response to February 2022 Russian Military Action in Ukraine

European Union

Financial restrictions

Regulation (EU) 2022/262 of 23 February 2022

Introduced financial restrictions on Russia and its government, the Russian Central Bank and any entities acting on the RCB’s behalf/direction:

- Prohibited to purchase, sell, provide investment services for or assistance in the issuance of, or otherwise deal with transferable securities and money-market instruments issued after 9 March 2022;
- Prohibited to make or be part of arrangement to make any new loans or credit after 23 February 2022

There is an exemption for loans or credit that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the Union and any third State, including the expenditure for goods and services from another third State that is necessary for executing the export or import contracts.

Regulation (EU) 2022/328 of 25 February 2022

Introduced further sanctions relating to the financial sector.

Existing sectoral sanctions applying to Sberbank, VTB Bank, Gazprombank, Vnesheconombank (VEB), Rosselkhozbank, OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom Neft (or non-EU entities more than 50% owned by them or by entities acting on their behalf / at their direction) have been extended.

Pre-existing sanctions

- It is prohibited to directly or indirectly purchase, sell, provide investment services for or assistance in the issuance of, or otherwise deal with transferable securities and money-market instruments with a maturity exceeding 30 days, issued after 12 September 2014 to 12 April 2022 by these parties;
- It is prohibited to make new loans or credit with a maturity exceeding 30 days after 12 September 2014 to 26 February 2022 to these parties.

New Sanctions

- The same prohibitions apply on any transferable securities and money-market instruments issued after 12 April 2022 without any maturity threshold.
- The same prohibitions apply on new loans or credit after 26 February 2022 without any maturity threshold.

Note: payment terms/delayed payment for goods or services are not considered loans or credit caught by the regulation, provided they are not used to circumvent the prohibition on new loans/credit.

The same forward-looking prohibitions (i.e. those without maturity thresholds) apply to the following entities (and to non-EU entities, more than 50 percent owned by them and to entities acting on their behalf / at their direction):

- Alfa Bank
- Almaz-Antey
- Bank Otkritie
- Bank Rossiya
- JSC PO Sevmash
- Kamaz
- Novorossiysk Commercial Sea Port
- Promsvyazbank
- Rostec (Russian Technologies and State Corporation)
- Russian Railways
- Sovcomflot
- United Shipbuilding Corporation

Again, there is an exemption for loans or credit that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the Union and any third State, including the expenditure for goods and services from another third State that is necessary for executing the export or import contracts. There is a further exemption for emergency funding for EU entities more than 50% owned by Sberbank, VTB Bank, Gazprombank, VEB or Rosselkhozbank.

SWIFT

On 26 February 2022, it was announced the EU, US and allies have agreed to cut off a number of Russian banks from the international payment SWIFT.

Under Regulation (EU) 2022/345 from 12 March 2022 the following Russian banks have been cut off from SWIFT:

- Bank Otkritie, Novikombank
- Promsvyazbank
- Rossiya Bank
- Sovcombank
- VEB; and
- VTB BANK

Regulation (EU) 2022/329 of 28 February 2022

The EU has also adopted a ban on any transactions with the Central Bank of Russia.

Capital markets

Regulation (EU) 2022/328 also included restrictions relating to capital markets activities:

- A prohibition as of 12 April 2022 on listing or providing services on trading venues registered or recognised in the EU for the transferable securities of any entity established in Russia with over 50% public ownership.
- A prohibition on EU central securities depositories providing relevant services (as defined in *Regulation (EU) No 909/2014* for transferable securities issued after 12 April 2022 to any Russian national or natural person residing in Russia or any entity established in Russia; and
- A prohibition on selling euro denominated transferable securities issued after 12 April 2022 (or related collective investment undertakings) to any Russian national or natural person residing in Russia or any entity established in Russia. The prohibition does not apply to nationals of a Member State or natural persons having a temporary or permanent residence permit in a Member State.

Energy Industry

Pursuant to Regulation (EU) 2022/328, the sale, supply, transfer or export certain listed goods and technology suited for use in oil refining to any person, entity or body in Russia or for use in Russia are prohibited.

The provision of technical assistance, brokering services, financing and financial assistance related to the restricted goods and technology is also prohibited.

Contracts concluded before 26 February 2022 are exempted until 27 May 2022 and the competent authorities of each Member State may, under very limited circumstances, grant authorizations to the above prohibitions.

On 8 March 2022, the European Commission pledged to reduce its purchase of Russian gas by two-thirds before the end of 2022. The European Commission further aim to cease buying fossil fuels from Russia before 2030.

Dual-use goods and technology

Pursuant to Regulation (EU) 2022/328, the sale, supply, transfer or export of any dual-use goods and technology to any person, entity or body in Russia or for use in Russia, irrespective of whether such goods and technology are intended for military use or for military end-users is prohibited.

The provision of technical assistance, brokering services, financing and financial assistance for any sale, related to the restricted goods and technology is also prohibited.

There are certain exceptions for non-military use and non-military end-users, including for humanitarian or medical purposes, software updates or for use as consumer communication devices. The competent authorities of each Member State may, under very limited circumstances, grant authorizations to the above prohibitions.

Military enhancement

Pursuant to Regulation (EU) 2022/328, the sale, supply, transfer or export of goods and technology which might contribute to Russia's military and technological enhancement to any person, entity or body in Russia or for use in Russia is prohibited. Such items are listed at Annex VII of the regulation and include a wide variety of technological goods including equipment for the manufacture of electrical components.

The provision of technical assistance, brokering services, financing and financial assistance related to the restricted goods and technology is also prohibited.

There are certain exceptions for non-military use and non-military end-users, including for humanitarian or medical purposes, software updates or for use as consumer communication devices.

Maritime navigation goods and technology

Pursuant to Decision (CFSP) 2022/395 (Regulation (EU) 2022/394), it is prohibited to sell, supply, transfer or export directly or indirectly, maritime navigation goods and technology whether or not originating in the Union, to any natural or legal person, entity or body in Russia, for use in Russia, or for the placing on board of a Russian-flagged vessel.

It is also prohibited to provide technical assistance, brokering services or other services in relation to maritime navigation goods and technology for the provision of related technical assistance, brokering services or other services, directly or indirectly to any natural or legal person, entity or body in Russia or for use in Russia.

Naval equipment

On 8 March 2022, the European Commission announced that a ban will be imposed on exports from the EU of naval equipment and software to Russia. More details to follow.

Restrictions on deposits

Pursuant to Regulation (EU) 2022/328, accepting any deposits from Russian nationals, natural persons or entities established in Russia, where the total value of deposit of these persons / entities exceeds EUR 100,000 (per credit institution) is prohibited. This restriction does not apply to:

- nationals of a Member State or natural persons having a temporary or permanent residence permit in a Member State; and
- certain deposits necessary for cross border trade.

On 9 March 2022, the EU agreed to extend the exemption relating to the acceptance of deposits exceeding €100.000 in EU banks to Swiss and EEA nationals.¹

EU credit institutions are required to their competent national authorities with lists of relevant deposits exceeding EUR 100,000 by no later than 27 May 2022 and under certain circumstances, the competent authorities of Member States may grant relevant authorisations.

“Deposit” is defined as:

a credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution is required to repay under the legal and contractual conditions applicable, including a fixed-term deposit and a savings deposit, but excluding a credit balance where:

- its existence can only be proven by a financial instrument as defined in Article 4(1)(15) of Directive 2014/65/EU of the European Parliament and of the Council***, unless it is a savings product which is evidenced by a certificate of deposit made out to a named person and which exists in a Member State on 2 July 2014;*
- its principal is not repayable at par;*
- its principal is only repayable at par under a particular guarantee or agreement provided by the credit institution or a third party.*

Regulation (EU) 2022/428 of 15 March 2022

Energy sector

The EU expanded its already existing sanctions against certain equipment, technology and services related to oil exploration and production in deep waters or in the offshore area north of the Arctic Circle or by hydraulic fracturing, by imposing a complete export ban (these items, listed in Annex II to the Regulation, were subject to prior authorisations). There is a **wind-down period until 17 September 2022** for obligations arising from

¹ https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1649

contracts concluded before 16 March 2022, or ancillary contracts necessary for the execution of such contracts, provided that the competent authority has been informed at least five working days in advance.

However, the sanctions do not apply to the sale, supply, transfer or export of goods or technology, or the provision of technical or financial assistance necessary for the transport of fossil fuels (e.g., coal and natural gas) from or through Russia into the Union, or for the urgent prevention or mitigation of an event likely to have serious and significant impact on human health and safety or the environment.

In addition to the export ban, the EU also prohibits new investments in the Russian energy sector, including acquiring new or extending existing participations, granting or being part of any arrangement to grant any new loan or credit, providing financing to any entity operating in the energy sector, or creating joint ventures with legal persons, entities or bodies incorporated or constituted under the law of Russia or any third country and operating in the energy sector in Russia.

Luxury goods sector

Items such as caviar, truffles, champagne, cigars and perfumes, but also less luxurious items such as railways or tramway parts, or motor vehicle parts and accessories, are now subject to an export ban. The list of items concerned can be found in Annex XVIII to the Regulation, and are prohibited insofar as their value exceeds €300 per item.

Iron and steel

Among the newest measures, the EU imposed an import ban on iron and steel products, as listed in Annex XVII to the Regulation. It is now prohibited to import, purchase or transport, directly or indirectly, iron and steel products originating in Russia, located in Russia or being exported from Russia.

Full economic embargo on certain state-owned enterprises

With the fourth package of sanctions, it is now prohibited to directly or indirectly engage in any transaction with a legal person, entity or body which is publicly controlled or with over 50 per cent public ownership or in which Russia, its government or the Central Bank has the right to participate in profits or a significant economic relationship, as listed in Annex XIX to the Regulation. This also applies to legal persons, entities or bodies established outside the Union that are 50 per cent or more owned by, or acting on behalf or at the direction of, any entity listed in Annex XIX.

There is a **wind-down period until 15 May 2022** for contracts concluded before 16 March 2022 or ancillary contracts necessary for the execution of such contracts. The prohibition does not apply to transactions necessary for the purchase, import or transport of fossil fuels, in particular coal, oil and natural gas, titanium, aluminium, copper, nickel, palladium and iron ore from or through Russia into the EU.

Entities targeted by this complete ban include **Rosneft, Gazprom Neft, and Rostec**.

Regulation (EU) 2022/576 of 8 April 2022

On 8 April 2022, the EU adopted its **fifth** package of sanctions against Russia which includes:

- (a) a prohibition on purchasing, importing or transferring coal and other solid fossil fuels into the EU if they originate in Russia or are exported from Russia, as from August 2022;
- (b) a ban on Russian-flagged vessels accessing EU ports;
- (c) a ban on any Russian and Belarusian road transport undertaking preventing them from transporting goods by road within the EU, including in transit;
- (d) further export bans, targeting jet fuel and other goods such as quantum computers and advanced semiconductors, high-end electronics, software, sensitive machinery and transportation equipment;
- (e) new import bans on key products, including wood, cement, fertilisers, seafood and liquor;
- (f) a full transaction ban on four key Russian banks – Otkritie FC Bank; Novikombank; Sovcombank and VTB Bank; and

- (g) an amendment to Article 3(3)(a) of Regulation 833/2014. Previously this article provided an exemption for Annex II goods or technology necessary for “the transport of fossil fuels, in particular coal, oil and gas”. This has been amended to read “the transport of natural gas and oil, including refined petroleum products”.

Ban on Russia-flagged vessels accessing EU Ports

Article 3ea(1) of Regulation 2022/576 provides that it shall be prohibited to provide access after 16 April 2022 to EU ports to any vessel registered under the flag of Russia. The prohibition extends to any vessels which changed their Russian flag or registration to the flag or register of any other state after 24 February 2022.

There are limited exceptions to this prohibition, including vessels dealing with: (i) natural gas and oil into the EU; (ii) pharmaceutical, medical, agricultural and food products; (iii) humanitarian purposes; (iv) transport of nuclear fuel for civil nuclear capabilities; and (v) coal and other solid fossil fuels into the EU.

On 13 April 2022, the EU introduced new regulations which permits the provision of funds or economic resources to sanctioned parties where the funds or economic resources are necessary for exclusively humanitarian purposes in Ukraine.

Upcoming Sixth Package of Sanctions

On 4 May 2022, the EU Commission announced that it was preparing its sixth package of sanctions, which will likely include:

- (a) The addition of further individuals to the EU’s asset freeze list. These designations will comprise “high ranking military officers and other individuals who committed war crimes in Bucha and who are responsible for the inhuman siege of the city of Mariupol”.
- (b) The “de-Swifiting” of Sberbank, Credit Bank of Moscow and the Russian Agricultural Bank.
- (c) Restrictions on three (as yet unnamed) Russian state-owned broadcasters, who will be prohibited from distributing their content in the EU.
- (d) A ban on the provision of services to Russian companies by “accountants, consultants and spin-doctors”. It is not yet clear how this prohibition will be defined or precisely which service providers or services will be in scope.
- (e) An import ban on Russian oil, with the supply of crude oil to be phased out within six months, and refined products by the end of 2022.

Individual designations and Russian elites

So far, targeted individuals include:

- (a) 336 members of the Russian State Duma who voted in favour of the recognition of the independence of the Donetsk and Luhansk regions;
- (b) 22 individuals accused of supporting, implementing or benefiting from actions that undermine the territorial integrity, sovereignty, independence and stability of Ukraine;
- (c) 99 individuals, including members of the Russian National Security Council, accused of having supported Russia's recognition of the Donetsk and Luhansk regions or facilitating military action from Belarus;
- (d) President Vladimir Putin and Russia's Minister of Foreign Affairs Sergey Lavrov;
- (e) Russian elites, including:

- i. Nikolay Tokarev (CEO of Transneft);
 - ii. Gennady Timchenko (Founder of Volga Group);
 - iii. Alisher Usmanov (Shareholder of MetalloInvest);
 - iv. Mikhail Fridman and Petr Aven (Shareholders of Alfa Group);
 - v. Alexander Dmitrievich Pumpyansky and Dmitry Alexandrovich Pumpyansky (linked to PJSC Pipe Metallurgical Company)
 - vi. Andrey Igorevich Melnichenko (owner of EuroChem)
 - vii. Dmitry Arkadievich Mazepin (CEO of Uralchem)
 - viii. Mikhail Eduardovich Oseevsky (President of PJSC Rostelecom)
 - ix. Mikhail Igorevich Poluboyarinov (CEO of OJSC Aeroflot)
 - x. Sergey Alexandrovich Kulikov (Chairman of RUSNANO LLC)
 - xi. Andrey Andreevich Guryev (CEO of PJSC PhosAgro)
 - xii. Dmitry Vladimirovich Konov (Chairman of PJSC SIBUR)
 - xiii. Nikita Dmitrievich Mazepin (General Director of JSC UCC Uralchem)
 - xiv. Roman Abramovich (Owner of Chelsea Football Club)
 - xv. German Khan (Co-founder of Alfa Group)
 - xvi. Surhiy Vitalovich Kurchenko
 - xvii. Yevgeniy Viktorovich Progozhin (founder of Wagner Group)
- (f) 146 members of the Russian Federation Council that ratified the government decisions of the '*Treaty of Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Donetsk People's Republic and between the Russian Federation and the Luhansk People's Republic*'.
- (g) 9 entities active in the aviation, military and dual-use, shipbuilding and marine building sectors.

Donetsk and Luhansk

Largely mirroring the existing restrictions on Crimea and Sevastopol, the EU has introduced trade restrictions on the Donetsk and Luhansk regions. Namely, the prohibitions include:

- an import ban on goods originating in those territories;
- a prohibition to provide, directly or indirectly, financing or financial assistance as well as insurance and reinsurance related to the import of such goods;
- an export ban for certain listed goods and technologies suited for the use in the following sectors:
 - transport;
 - telecommunications;
 - energy; and
 - the prospecting, exploration and production of oil, gas and mineral resources;
- a prohibition to provide, directly or indirectly, technical assistance or brokering services related to the goods and technology subject to the export ban, or related to the provision, manufacture, maintenance and use of such items to any natural or legal person, entity or body in those territories or for use in those territories;
- a prohibition to provide, directly or indirectly, financing or financial assistance related to the goods and technology subject to the export ban to any natural or legal person, entity or body in those territories or for use in those territories;
- a prohibition to provide technical assistance, or brokering, construction or engineering services directly relating to infrastructure in those territories in the sectors subject to the export ban, independent of the origin of the goods and technology;
- a prohibition to acquire any new, or extend any existing participation in ownership of, real estate located in those territories;
- a prohibition to acquire any new, or extend any existing participation in ownership or control of, entities in those territories;

- a prohibition to grant or be part of any arrangement to grant any loan or credit or otherwise provide financing, including equity capital, to an entity in those territories, or for the documented purpose of financing such an entity;
- a prohibition to create any joint venture in those territories or with an entity in those territories;
- a prohibition to provide investment services directly related to the activities listed above in those territories; and
- a prohibition to supply tourism services in those territories.

United Kingdom

On 22 February 2022, Prime Minister Boris Johnson announced **blocking sanctions against five Russian banks** - Rossiya, IS Bank, GenBank, Promsvyazbank and the Black Sea Bank - **and three oligarchs**². Similar to the U.S., all UK assets of the sanctioned banks and persons will be frozen. All UK individuals and entities will also be barred from having dealings with them.

On 24 February 2022, the UK further announced:

- New financial measures targeting Russian finance, full asset freeze on VTB Bank PJSC, total exclusion of Russian banks from UK financial system by stopping them from accessing sterling and clearing payments in the UK.
- “Powers will enable” ban of raising of funds by Russian state/private in the UK, banning dealing with securities and making loans to them. Limits to amounts of money that Russian nationals can deposit in UK accounts.
- Asset freezes on more than 100 new entities and individuals, including all major manufacturers, and ban of Aeroflot from the UK.
- New legislation to ban the export of all dual-use items to Russia, including a range of high-end and critical technological components, including electronics, telecommunications, aerospace.
- Further detail before Easter on new policies to be introduced to tackle sanctions avoidance.

On 25 February 2022, the UK imposed asset freeze restrictions on President Putin and Sergei Lavrov, Russia's Minister of Foreign Affairs and banned Aeroflot from UK airspace.

The Office of Financial Sanctions Implementation published a General Licence, which allows for the wind-down of transactions involving VTB Bank and its UK subsidiary VTB Capital plc and any entity owned or controlled by VTB Capital plc incorporated in the UK³. The General Licence takes effect from 25 February 2022 and expires on 27 March 2022.

On 28 February 2022, the UK announced⁴ that it will take “*further restrictive economic measures in response to the invasion of Ukraine by Russia by targeting the Central Bank of the Russian Federation (CBR)*”. According to the announcement, UK persons will be prohibited from engaging in financial transactions involving the CBR, the Russian National Wealth Fund, and the Ministry of Finance of the Russian Federation. In addition to the above list announced on 25 February, new restrictions in relation to CBR and Russian financial institutions will include, inter alia,:

- measures to prevent Russian companies from issuing transferable securities and money market instruments in the UK. This will form a sweeping addition to existing financial restrictions - in addition to the prohibition of the Russian state raising sovereign debt in the UK already announced; and
- authority to prevent designated banks from accessing Sterling and clearing payments through the UK.

² Gennady Timchenko, and Boris and Igor Rotenberg.

³ <https://www.gov.uk/government/collections/ofsi-general-licences>

⁴ <https://www.gov.uk/government/news/uk-statement-on-further-economic-sanctions-targeted-at-the-central-bank-of-the-russian-federation>

Importantly, as of 28 February, the following financial institutions have been added to the consolidated sanctions list and are now subject to an asset freeze.

1. VEB.RF (Group ID: 14198)
2. BANK OTKRITIE FINANCIAL CORPORATION PJSC (Group ID: 14199); and
3. PJSC SOVOCOMBANK (Group ID: 141200)

Russian oligarchs / Individuals associated with Putin regime

22 February 2022	(i) Gennadiy Nikolayevich Timchenko; (ii) Boris Romanovich Rotenberg; (iii) Igor Arkadyevich Rotenberg
24 February 2022	(i) Denis Alexandrovich Bortnikov; (ii) Petr Mikhailovich Fradkov; (iii) Kirill Nikolaevich Shamalov; (iv) Yury Borisovich Slyusar; (v) Elena Alexandrovna Georgieva
25 February 2022	(i) Vladimir Vladimirovich Putin; (ii) Sergei Viktorovich Lavrov
1 March 2022	(i) Kirill Alexandrovich Dmitriev
4 March 2022	(i) Igor Ivanovich Shuvalov; (ii) Alisher Burkhanovich Usmanov
10 March 2022	(i) Mr Andrei Leonidovich Kostin; (ii) Mr Alexei Borisovich Miller; (iii) Mr Oleg Vladimirovich Deripaska; (iv) Roman Arkadyevich Abramovich; (v) Nikolai Petrovich Tokarev; (vi) Dmitri Alekseevich Lebedev; (vii) Igor Ivanovich Sechin
11 March 2022	386 members of the Russian Duma
15 March 2022	(i) Mikhail Fridman; (ii) German Khan; (iii) Petr Aven; (iv) Alexey Mordashov; (v) Andrey Melnichenko; (vi) Viktor Vekselberg; (vii) Alexander Ponomarenko; (viii) Dmitry Pumpyansky; and (ix) Vadim Moshkovich
08 April 2022	(i) Katerina Vladimirovna Tikhonova; (ii) Maria Vladimirovna Vorontsova; and (iii) Yekaterina Sergeyevna Vinokuyrova.
13 April 2022	Pavel Ezubov (Cousin of Oleg Deripaska); (ii) Andrey Fursenko (Assistant to President Putin); (iii) Vagit Alekperov (President of Lukoil); and (iv) Andrey Bokarev (President of JSC Transmashholding).
14 April 2022	(i) Eugene Tenenbaum; and (ii) David Davidovich
21 April 2022	(i) Oleg Valentinovich Belozyorov; (ii) Nikolay Vaselyevich Bogdanovsky; (iii) Aleksandr Petrovich Chupriyan; (iv) Valery Flyustikov; (v) Anzhelika Khan; (vi) Ilya Kiva; (vii) Igor Yevgenyevich Konashenkov; (viii) Sergei Borisovich Korolyov; (ix) Igor Yurievich Korotchenko; (x) Anton Valerevich Kuprin; (xi) Boris Viktorovich Obnosov; (xii) Azatbek Omurbekov; (xiii) Aleksei Viktorovich Pimanov; (xiv) Arkadiy Yurevich Romanov; (xv) Andrey Nikolayevich Serdyukov; (xvi) Andrei Olgertovich Volozhinsky

Other

24 February 2022	<u>Various parties associated with Russian military</u> (i) State Corporation for the Promotion of the Development; (ii) Public Joint Stock Company "United Aircraft Corporation; (iii) Tactical Missiles Corporation Joint Stock Company; (iv) UralVagonZavod; (v) Public Joint Stock Company "United Shipbuilding Corporation"
1 March 2022	(i) Russian Direct Investment Fund

24 March 2022	(i) Wagner; (ii) Vserossiskiy Institut Aviatsionnykh Materialov; (iii) The Planar Company; (iv) Sovcomflot; (v) Russian Venture Company; (vi) Russian Railways; (vii) Rushydro; (viii) Radioavtomatika Llc; (ix) Makeyev State Missile Center; (x) Limited Liability Company Inspira Invest A; (xi) Limited Liability Company Atlant S; (xii) Kronshtadt; (xiii) Joint Stock Company Salavat Chemical Plant; (xiv) Joint Stock Company Salavat Chemical Plant; (xv) Joint Stock Company Federal Scientific And Production Center Titan Barrikady; (xvi) Exiar; (xvii) Alrosa
31 March 2022	(i) Photon Pro LLP; (ii) Majory LLP; (iii) Djeco Group LP; (iv) Rossiya Segodnya; (v) TV-Novosti
21 April 2022	(i) Aleksandrov Scientific Research Technological Institute Niti; (ii) Central Research Institute Of Machine Building JSC; (iii) Federal State Unitary Enterprise Dukhov Automatics Research Institute; (iv) JSC Arzamas Machine-Building Plant; (v) JSC GTLK; (vi) JSC Kalashnikov Concern; (vii) LLC Military Industrial Company; (viii) Promtech-Dubna JSC; (ix) Radiotechnical and Information Systems Concern; (x) Rocket And Space Centre Progress JSC
4 May 2022	(i) Evgeny Poddubny; (ii) Alexander Kots; and (iii) Dmitry Steshin
5 May 2022	Evrax PLC

Relevant wind-down provisions / licences

VTB Bank (GL INT/2022/1272278) – On 25 February 2022, the UK issued a general licence which allows for the wind-down of transactions involving VTB Bank and its UK subsidiary VTB Capital plc and any entity owned or controlled by VTB Capital plc incorporated in the UK. The General Licence expires on 27 March 2022.

VTB UK subsidiaries (GL INT/2022/1280876) – On 1 March 2022, the UK issued a general licence which permits any subsidiary of VTB incorporated in the UK, to make payments for its basic needs, reasonable fees or reasonable service charges and reasonable professional fees for the provision of legal services or reasonable expenses associated with the provision of legal services. The General Licence expires on 1 March 2023.

VTB Capital (GL INT/2022/1280976) – On 1 March the UK also issued general licence which permits anything to be done on or on behalf of a Relevant Authority in relation to a UK subsidiary of VTB Capital functions of that authority as they relate to the supervision or protection, maintenance or enhancement of the stability of the financial system of the UK. The General Licence expires on 1 March 2023.

Other Banks (GL INT/2022/1295476) – On 4 March 2022, the UK issued a similar general licence that provides for a wind down period until 3 April 2022 in relation to transactions involving the following designated banks: Bank Otkritie, Promsvyazbank, Bank Rossiya, Sovcombank and VEB.

On 6 April 2022, the UK imposed an asset freeze on PJSC Sberbank and Credit Bank of Moscow.

Sberbank (GL INT/2022/1277778) – On 6 April 2022, the UK issued a general licence authorising transactions with Sberbank in relation to energy-related payments.

Credit Bank of Moscow (GL INT/2022/1544176) – On 6 April 2022, the UK issued a General Licence authorising wind-down transactions with Credit Bank of Moscow and its majority-owned subsidiaries until 6 May 2022.

Gazprombank (GL INT/2022/1630477) – On 21 April 2022, the UK issued a General Licence authorising payments to Gazprombank and its subsidiaries until 31 May 2022 for the purposes of ensuring gas supplies in the EU.

On 27 April 2022, the UK issued GL INT/2022/1679676, which permits certain specified activities in connection with law enforcement and asset recovery.

Capital Markets restrictions (i.e. Loans / Credit and Transferable securities)

On 1 March 2022, The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 (“**Amendment No. 2**”) was introduced, expanding pre-existing Russia capital markets restrictions. The parties already subject to certain restrictions were those parties listed at Schedule 2 of the UK Russia Regulations, namely:

Schedule 2 entities

Sberbank	VTB Bank	Gazprombank	Vnesheconombank (VEB)
Rosselkhozbank	OPK Oboronprom	Uralvagonzavod	United Aircraft Corporation
Rosneft	Transneft	Gazprom Neft	

In the case of VTB Bank, VEB, United Aircraft Corporation, UralVagonZavod these restrictions have been slightly overtaken by their addition to the UK Sanctions List.

With regard to Sberbank, it is also subject to correspondent bank restrictions (see section 3 below).

Chelsea Football Club (GL INT/2022/1327076) – On 10 March 2022, the UK issued a general licence that allows for the continued operation of Chelsea Football Club and its subsidiaries, it being owned by Roman Abramovich. The General Licence expires on 31 May 2022.

Loans and Credit Agreements

1. Under Amendment No. 2 UK persons are prohibited from knowingly (or with reasonable cause to suspect) from directly or indirectly providing “relevant loans”. Relevant loans are any loans within the following categories:
 - (1) Category 1 loans⁵ – prohibits loans with a maturity period exceeding 30 days made on or after the UK’s exit date from the EU to: (i) Schedule 2 entities; (ii) non-UK subsidiaries of Schedule 2 entities; and (iii) entities acting on behalf of either (i) or (ii)
 - (2) Category 2 loans – prohibits loans with a maturity period exceeding 30 days made on or after 1 March 2022 to UK subsidiaries of Schedule 2 entities.
 - (3) Category 3 loans – prohibits loans with a maturity period exceeding 30 days made on or after 1 March 2022 to:
 - (i) entities connected with Russia (meaning entities incorporated / constituted under the laws of Russia or domiciled in Russia (see Regulation 19A);
 - (ii) entities owned by persons falling within (i); or
 - (iii) entities acting on the behalf of entities within (i) or (ii).

EXCLUDING:

 - (iv) any Category 1,2 or 4 loans; and
 - (v) loans to entities domiciled in a country other than Russia, or any entities owned by same or acting on their behalf.
 - (4) Category 4 loans – prohibits loans made on or after 1 March 2022 to the Government of Russia with no maturity threshold.

Similar to the position under the equivalent EU restrictions, FAQ 7 of the UK’s ‘Russia Guidance’ (last updated June 2020) confirms that payment terms/delayed payment for goods or services are not

⁵ These loans were prohibited prior to The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022

considered loans or credit. The provision of payment terms/delayed payment may not be used, however, to circumvent the prohibition to provide new loans or credit..

Certain exceptions apply, including for emergency funding to meet liquidity criteria for any UK subsidiaries, as well as loans consisting of a drawdown or disbursement made under an arrangement entered into before 15 September 2014 (for Category 1 loans) and before 1 March 2022 (for Category 2-4 loans).

Dealing with transferable securities or money-market instruments

Under the Amendment No. 2, UK persons are also prohibited from directly or indirectly dealing with various transferable securities or money-market instruments. The relevant restricted categories follow a similar pattern to the loan / credit restrictions:

- (1) Restriction on dealing with transferable security or money-market instrument which have a maturity exceeding 30 days issued on or after 1 August 2014 by Sberbank, VTB Bank, Gazprombank, VEB and Rosselkhozbank or any non-UK subsidiary.
- (2) Restriction on dealing with transferable security or money-market instrument which have a maturity exceeding 30 days issued on or after 12 September 2014 by OPK Oboronprom, United Aircraft Corporation, Uralvanzavod, Rosneft, Transneft and Gazprom Neft or any non-UK subsidiary.
- (3) Restriction on dealing with transferable security or money-market instrument which have a maturity exceeding 30 days issued on or after 1 March 2022 by any UK subsidiary of a Schedule 2 entity.
- (4) Restriction on dealing with transferable security or money-market instrument issued on or after 1 March 2022 (without maturity threshold) by
 - (i) entities connected with Russia; or
 - (ii) entities owned by persons falling within (i); or
 - (iii) entities acting on the behalf of entities within (i) or (ii).

EXCLUDING

- (iv) A Schedule 2 entity;
 - (v) An entity domiciled in a country other than Russia, or any branch subsidiary, wherever located, of same.
- (5) Restriction on dealing with transferable security or money-market instrument issued on or after 1 March 2022 (without maturity threshold) by the Government of Russia.

Again, certain narrow exceptions apply.

i Correspondent Bank restrictions

Amendment No. 2 prohibits UK credit or financial institutions from:

- (1) establishing or continuing a correspondent banking relationship with any party designated pursuant to the UK Russia Regulation and Sberbank, as well as any credit or financial institution (UK or non-UK) indirectly or directly owned or controlled by them; and
 - 1.
- (2) processing sterling payments to designated entities and Sberbank, as well as any credit or financial institution (UK or non-UK) indirectly or directly owned or controlled by them.

GL INT/2022/1277778: provides for a wind down period until 31 March UK where credit or financial institutions and “relevant institutions” (as defined) continue correspondent banking relationships with Sberbank and process sterling payments to, from or via Sberbank (or entities it owns or controls);

GL INT 2022/1277877: further extends the wind down period in respect of GL INT/2022/1277778 until 24 June 2022 regarding the clearing and correspondent bank prohibitions, for payments relating to “*relevant energy products*”, i.e. crude oil, gas, and petroleum products (with reference to specific commodity codes);

GL INT/2022/1277777: further provides for a 7-day wind down period for sovereign debt, loans and money market instruments measures. The General Licence expired on 8 March 2022.

ii **Central Bank – financial and investment restrictions**

The Russia (Sanctions) (EU Exit) (Amendment) (No. 5) Regulations 2022 imposes additional financial and investment restrictions on the Russia Central Bank (“**Amendment No. 5**”). Under Amendment No. 5, UK persons are prohibited from providing financial services for the purpose of foreign exchange reserve and asset management to the following:

- the Central Bank of the Russian Federation;
- the National Wealth Fund of the Russian Federation;
- the Ministry of Finance of the Russian Federation;
- a person owned or controlled directly or indirectly by any of the persons above; or
- a person acting on behalf of or at the direction of any of the persons above.

GL INT/2022/1298776: provides for a wind down until 3 April 2022 regarding restrictions on providing financial services to Sberbank or a subsidiary.

Ban on Russian vessels to enter UK ports

On 28 February, the UK Secretary of State for Transport issued an announcement ordering the UK ports to block any vessels that are Russian-flagged or believed to be registered, owned or controlled by any person connected with Russia as it ratcheted up the pressure on Moscow.

The Russia (Sanctions) (EU Exit) (Amendment) (No. 4) Regulations 2022 imposed further shipping sanctions (“Amendment No. 4”). In particular, the following vessels are prohibited from accessing UK ports:

- (1) vessels owned, controlled, chartered or operated by a designated person;
- (2) vessels owned, controlled, chartered or operated by persons connected with Russia;
- (3) Russian-flagged vessels;
- (4) Vessels registered in Russia, or
- (5) “specified ships”.

For the purposes of the restrictions, a ship is :

2. “Owned” by a person if: (i) the legal title to the ship, or to any share in the ship, is vested in the person, or (ii) the person has a beneficial interest in the ship or in any share in the ship; and
3. “Controlled” by a person who is able to take decisions about its operation, including (but not limited to) decisions about the route the ship may take and the appointment of master or crew. a ship is not “controlled” by its master or crew, unless that master or crew are designated persons under the relevant regulations of this Part
4. A “specified ship” is a ship specified by the Secretary of State, which the Secretary of State has reasonable grounds to suspect the ship is being used for activity whose object or effect is to contravene or circumvent the UK Russia Regulations.

The Secretary of State or a UK harbour authority has the power to issue the following to the relevant master or pilot: (i) a port barring direction in relation to a specified ship; (ii) a port entry direction or movement direction in relation to Restricted Vessels; or (iii) a detention order requiring the detention of Restricted Vessels at a port or anchorage of the UK

Any directions given by the Secretary of State must be complied by any person to whom they are given to and may be of infinite duration. There is an exemption for the prohibition of port entry whereby the access to the port is needed for emergency reasons or where a port entry direction has been given.

Further, registration of vessels owned, controlled, chartered or operated by (i) designated persons; or (ii) persons connected with Russia prohibited

Trade Restrictions

The Russia (Sanctions) (EU Exit) (Amendment) (No. 3) Regulations 2022 (“Amendment No. 3”) and The Russia (Sanctions) (EU Exit) (Amendment) (No. 6) Regulations 2022 (“Amendment No. 6”) impose additional trade measures extending pre-existing prohibitions relating to the export of ‘restricted goods’ to, or for use in, Russia.

Amendment No. 3 widens the definition of ‘restricted goods’, which now includes critical industry goods and aviation and space goods, in addition to the pre-existing restrictions on dual-use goods and military goods. There is a similar definition for ‘restricted technology’.

UK persons are prohibited from directly or indirectly making available restricted goods or restricted technology available to persons connected with Russia or for use in Russia. There are also related restrictions on the provision of technical assistance, financial services and brokering services in relation to restricted goods and restricted technology.

Critical industry goods

Listed at the Schedule to Amendment No 3, “critical industry goods” includes certain items, which fall within the following categories:

- Electronics;
- Computers;
- Telecommunications;
- Information security;
- Sensors and lasers;
- Navigation and avionics;
- Marine; and
- Aerospace and propulsion.

Oil / Gas

On 8 March 2022, the UK government announced a ban on Russian oil and confirmed that it is to be phased out by the end of 2022. We await the relevant legislation.

Internet Services and Online Media Services

On 29 April 2022, The Russia (Sanctions) (EU Exit) (Amendment) (No.9) Regulations 2022 came into force, which imposed new sanctions measures relating to internet services and online media services.

Service Exports

On 4 May 2022, the UK announced a ban on service exports, including providing management consulting, accounting and public relations services to Russia.

Donetsk and Luhansk

The UK has announced that it intends to adopt equivalent measures to the restriction on Crimea in relation to Donetsk and Luhansk regions of Ukraine. We await the relevant legislation.

Economic Crime Act

On 1 March 2022, the Economic Crime Bill (Transparency and Enforcement) Bill 2022 was introduced in the House of Commons (the “Bill”).

The main provisions of the Bill are:

- (1) To set up a register of overseas entities which own property or land in the UK and require such overseas entities to declare who the beneficial owner is;
- (2) To increase the scope of Unexplained Wealth Orders (“UWO”) by broadening the range of people who can be subject to an order and grounds on which an order can be imposed; and
- (3) To make it easier to sanction individuals by removing the requirement for knowledge of breaching sanctions law.

The Bill passed the Committee Stage and Third Reading in the House of Commons on 7 March 2022 and was passed on the Committee Stage in the House of Lords on 14 March 2022.

The House of Lords have proposed to the House of Commons the following amendments (“the Amendments”):

- (1) A requirement for a registered overseas entity to update their entry within 14 days of registration. This aims to prevent an overseas entity changing beneficial ownership immediately after registration;
- (2) Removal of the ability of the Secretary of State to exempt an overseas entity from registration on the grounds of the UK’s economic wellbeing;
- (3) Preventing individuals who are being *considered* for sanctions from selling, transferring, or moving outside of the UK their funds and economic resources;
- (4) Reducing the transitional period within which overseas entities must register as an overseas entity from 6 months to 28 days; and
- (5) Limits on costs orders in relation to all civil recovery proceedings.

On 15 March 2022, the Amendments were approved by the House of Commons and the Bill received Royal Assent to become UK law as the new Economic Crime (Transparency and Enforcement) Act (“the Act”). Under the Act, the UK government were provided with the power to urgently impose sanctions on a further 350 Russian individuals including 51 Russian oligarchs and their family members.

The UK plan a second economic crime bill in the next parliamentary session, including further reforms of Companies House, in an acknowledgment that the fast-tracked bill is imperfect.

General Trade Licence

On 17 March 2022, the Secretary of State exercised their powers under Regulation 65 of the UK Russian Regulations, to grant the General Trade Licence (Russia Sanctions – Vessels) (“the Licence”). The Licence regulates the provision of technical assistance, financial services and funds, and brokering services in relation to vessels, with reference to Regulation 22, Regulation 24, Regulation 25, Regulation 26, Regulation 27 and Regulation 29 of the UK Russian Regulations.

The Licence applies to any legal or natural person which includes financial institutions, other financial services providers located in or operating from within the UK or which is a United Kingdom person as defined in Regulation 2 of the UK Russian Regulations who operates anywhere in the world and engages in any activity authorised in the below-mentioned paragraph (the “Provider”).

Pursuant to the Licence, the export, direct or indirect supply or delivery, making available, transfer, provision of technical assistance, provision of brokering services in respect of restricted goods and restricted technology are authorised where:

- (1) The restricted goods are vessels and their component parts are controlled under 8A992f of Schedule 2A of the UK Russian Regulations and the restricted technology is in relation to such vessels controlled under 8E992 of Schedule 2A of the UK Russia Regulations;
- (2) The vessel is moving to Russia from a third country, or to the UK or a third country from Russia, or transiting Russian territorial waters;
- (3) The vessel is moving under its own power; and
- (4) The movement of the vessel is not for the following purposes:

- i. Transferring the ownership of the vessel or any of its component parts; or
- ii. The change of the vessel operator.

For the above to be authorised, the Provider must register on SPIRE for the provision of the Secretary of State, the name and address at which records are kept in relation to the Licence.⁶

Insurance services

For insurance service purposes, the above will only apply where the Provider:

- (1) Does not reinsure their obligations in provide the insurance services; or
- (2) Does reinsure their obligations to provide the insurance services, and the reinsurance cover has not been rendered unenforceable, suspended, frustrated or prohibited as a matter of applicable law by any sanction which may apply.

Where the Provider is a reinsurer whose obligations to provide the reinsurance services as described above at point (1) and (2), will only be applicable where as a matter of applicable law, they have obtained, have not been rendered unenforceable, suspended, frustrated or prohibited by any sanction which may apply.

Reinsurance services

For reinsurance services purposes, the above will only apply where the Provider's insurance obligations as a matter of applicable law, has not been rendered unenforceable, suspended, frustrated or prohibited by any applicable sanctions.

In circumstances where the Provider provides reinsurance services to a reinsurer, the reinsurance obligations should be included with the insurance obligations of the reinsurer. This will be in addition to the insurance obligations which are being reinsured by the reinsurer.

There are certain exceptions where:

- (1) the above-mentioned activities are prohibited by the UK Russia Regulation other than regulations 22, 24,25, 26, 27, 28 or 29 in relation to vessels;
- (2) There is a further exception where the Provider has been informed by a competent UK authority or is aware that the activities covered by the Licence will be provided contrary to the export or import law or regulations of the exporting or importing country, during the act; and
- (3) The Provider, has been served with a notice which suspends or revokes their ability to use the Licence, unless the period of suspension or revocation has expired, during the act.

Other restrictions

On 15 March 2022, the UK government announced a ban on the export of luxury goods to Russia and imposed a new 35% tariff on 900 million pounds worth of Russian imports, including: vodka, metals, fertilisers and other commodities. Further details are to follow.

On 14 April 2022, the UK introduced new trade restrictions including:

- (a) a prohibition on exporting, supplying, transferring to, or for use in Russia oil refining goods and technology, quantum computing and advanced materials goods and technology and certain luxury goods; and
- (b) an import ban on iron and steel products which originate in, are consigned from or are located in Russia.

⁶ <https://www.spire.trade.gov.uk/spire/fox/espire/LOGIN/login>

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On 21 April 2022, the UK announced new trade sanctions including import bans on silver, wood products and high-end products from Russia.

How is the shipping industry affected?

Broadly speaking, the shipping industry is affected as follows (recognising that there are certain exceptions).

- (a) Russian vessels are prohibited from calling at UK/EU ports.
- (b) UK / EU cruise ships should not call at Crimean Peninsula ports.
- (c) UK / EU ships should not be involved in transporting out of or into Crimea or Sevastopol any items, which are the subject of a prohibition, as to do so would likely be viewed as participating in circumventing the prohibitions concerned.
- (d) UK / EU entities and persons should avoid investing in Crimea or Sevastopol.

A. Sectoral Sanctions

The sectoral sanctions relate to the energy, oil exploration and production, dual use and arms sectors. The EU restrictions are primarily set out in EU Regulation 833/2014 (as amended). These are largely replicated in the UK restrictions at Part 5 of the UK Russia Regulation.

What is prohibited?

Oil exploration and production

The sectoral sanctions under this head focus on:

- (a) oil exploration and production in waters deeper than 150 metres;
- (b) oil exploration and production in the offshore area north of the Arctic Circle; or
- (c) projects that have the potential to produce oil from resources located in shale formations by way of hydraulic fracturing (not exploration and production through shale formations to locate or extract oil from non-shale reservoirs).

collectively, the “**Restricted Projects**”

The EU / UK prohibitions relating to Restricted Projects are very similar. There are however certain subtle distinctions. These minor differences are not covered within this guidance note, but appropriate legal advice should be taken where any business potentially relating to a Restricted Project is contemplated.

That being the context, without prior authorisation from a competent Member State authority (or in the case of the UK, a licence) it is prohibited to:

- (a) sell, supply, transfer or export, directly or indirectly certain items suited to Restricted Projects for use in Russia, including its Exclusive Economic Zone and Continental Shelf. These items can be found at Annex II of EU Regulation 833/2014. Under the UK Russia Regulation, these items are referred to as ‘energy-related goods’.



- (b) provide, directly or indirectly, associated / related services for Restricted Projects, such services being defined as drilling; well testing, logging and completion services and the supply of specialised floating vessels.

The European Commission has clarified that the term “specialised floating vessels” does not cover supply vessels such as Platform Supply Vessels, Anchor Handling Tug and Supply Vessels or Emergency Response Vessels. The UK Russia Regulation does not include an equivalent clarification, but might be expected to be similarly interpreted.

There are also related prohibitions on technical assistance, financial assistance / services and brokering in relation to Restricted Projects.

Dual Use Goods and Technology

Under EU and UK regulations are again broadly the same as regard to dual use goods and technology. The principal prohibitions are as set out below.

Without prior authorisation from a competent Member State authority (or in the case of the UK, a licence) it is prohibited to:

- (a) sell, supply, transfer export, directly or indirectly, dual use goods and technology, to any natural or legal person, entity or body in Russia or for use in Russia, if those items are or may be intended, in their entirety or in part for military use or for a military end user (where the end user is the Russian military, any dual use goods and technology procured by it shall be deemed to be for military use);
- (b) sell, supply, transfer export, directly or indirectly, whether or not originating in the EU, dual use goods and technology, to certain defence sector entities, namely:

JSC Sirius, OJSC Stankoinstrument, OAO JSC Chemcomposite, JSC Kalashnikov, JSC Tula Arms Plant, NPK Technologii Maschinostrojenija, OAO Wysokototschnye Kompleksi, OAO Almaz Antey and OAO NPO Bazalt.

In relation to (b), certain exceptions relating important aeronautics and space industry may apply.

There are also related prohibitions on technical assistance, brokering services, financing or financial assistance in relation to (a) and (b) above.

The Common Military List

There are also prohibitions in relation to the Common Military List in the EU and Schedule 2 to the Export Control Order 2008 in the UK, which are less relevant in the context of this guidance.

How is the shipping industry affected?

Oil exploration and production

It is advised that shipping industry entities do not become involved in the carriage of ‘energy-related goods’ (as identified above) unless they are satisfied that the relevant authorisation in the EU or a Secretary of State licence in the UK has been obtained. An authorisation / licence may also be required for the insurance

relating to such trade. This is required even where it is known that the 'energy-related goods' are not for use in a Restricted Project.

Shipping industry entities who operate specialised floating vessels should not supply them in this context because to do so would be a direct breach of the restrictions.

Dual Use Goods and Technology

Without authorisation / licence, or the application of a derogation, shipping industry entities should not become involved in carrying dual use goods to Russia

B. Financial sanctions aimed at restricting the access of certain Russian entities and key companies to EU capital markets

These restrictions can primarily be found in EU Regulation 833/2014 and Part 3 Chapter 2 of the UK Russia Regulation.

What is prohibited?

Subject to certain derogations, these financial measures aim to restrict the access of certain key Russian companies to EU and UK capital markets and credit.

In particular, they exclude five listed banks, Sberbank, VTB Bank, Gazprombank, Vnesheconombank (VEB) and Rosselkhozbank (listed at Annex III of Regulation 833/2014 and Schedule 2 of the UK Russia Regulation (the '**Sanctioned Banks**') from the following activities (because persons and entities subject to the EU and UK regimes are prohibited from providing the services which are the subject of the activities):

- (a) selling or purchasing or dealing with transferable securities and money market instruments with a maturity exceeding 90 days, issued after 1 August 2014 to 12 September 2014, or with a maturity exceeding 30 days issued after 12 September 2014 and receiving related investment advice and assistance with such issues⁷;
- (b) receiving any new loans or credit with a maturity exceeding 30 days after 12 September 2014.⁸

These exclusions also apply to any legal person, entity or body established outside of the EU / UK which is more than 50% owned by a Sanctioned Bank, or a legal person or entity acting on behalf or at the direction of a legal person, entity or body established outside of the EU / UK which is more than 50% owned by a Sanctioned Bank or a Sanctioned Bank themselves.

Subject to certain derogations, six other Russian companies are also subject to such restrictions. They are OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom Neft (the '**Sanctioned Companies**') (as listed at Annexes V and VI of Regulation 833/2014 and Schedule 2 the Russia (Sanctions) (EU Exit) Regulations 2019).

⁷ The UK restriction is slightly simplified, applying to transferable securities and money market instruments with a maturity exceeding 30 days after 1 August 2014 only.

⁸ The UK restriction applies to loans / credit granted after 31 January 2020 at 11.00 p.m (i.e. 'exit day').



As with the case with the Sanctioned Banks, the measures also affect non-EU / UK entities, which are more than 50% owned by a listed entity, or entities acting on behalf of or at the direction of a Sanctioned Company.

The restrictions on Sanctioned Companies mirror the restrictions on the Sanctioned Banks, save that they only apply to transferable securities and money-market instruments issued after 12 September 2014 or loans made after that date, in all cases where the maturity is over thirty days.

How is the shipping industry affected?

The EU Commission has clarified that payment terms/delayed payment for good or service will not be considered loans or credit and therefore these restrictions will not apply **unless** they are provided to circumvent the prohibition on loans/credit. The UK has confirmed it will also adopt this approach.

In effect, an entity in the shipping industry supplying a good or service to a targeted entity would only be in breach of the loan or credit restrictions, where its payment terms were outside of market (normal business practice) or had been substantially altered since 12 September 2014. If that was the case, a regulator may decide that, in fact, the shipping industry entity was conducting itself as a bank, thereby circumventing the prohibitions relating to new loans or credit.

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