

## UKRAINE: THE LATEST GLOBAL SANCTIONS AND EXPORT CONTROLS

The following briefing provides an overview of the sanctions and export controls imposed by the US, EU, UK, Poland, Japan, Singapore, Australia, and Ukraine; as well as measures adopted in response by Russia, as of **9pm GMT, 5 July 2022**.

**Material changes since our last summary on 28 June 2022 are included in red text for ease of identification.**

These sanctions are complex, multilateral and continue to change incrementally in real time in response to the situation on the ground in Ukraine. Our team of sanctions experts is monitoring the situation closely and we will endeavour to keep our briefings up to date.

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## **US SANCTIONS**

### **Executive Order 14071**

On 6 April 2022, President Biden signed an Executive Order ("EO") 14071 "Prohibiting New Investment in and Certain Services to the Russian Federation in Response to Continued Russian Federation Aggression." Specifically, EO 14071 prohibits:

- all new investment in Russia by US Persons, wherever located;
- the exportation, reexportation, sale, or supply, directly or indirectly, from the US or by a US Person, of any category of services as may be determined by the Secretary of Treasury to any person located in Russia; and
- any approval, financing, facilitation, or guarantee by a US Person, wherever located, of a transaction by a foreign person that would be prohibited for a US Person by the above.

On 8 May 2022, OFAC issued a determination that the prohibitions in Section 1(a)(ii) of EO 14071 (related to the export, reexport, sale or supply of services) will apply, as of 6 June 2022, to the following categories of services: accounting, trust and corporate formation, and management consulting. Consequently, as of 6 June 2022, unless there is an applicable OFAC license or exemption, the exportation, reexportation, sale, or supply, directly or indirectly, from the US, or by a US Person, wherever located, of accounting, trust and corporate formation, or management consulting services to any person located in Russia is prohibited, except for:

- services to any entity located in Russia that is owned or controlled, directly or indirectly, by a US Person; and
- services in connection with the wind down or divestiture of an entity located in Russia that is not owned or controlled, directly or indirectly, by a Russian person.

### **Most Favored Nation Status**

On 8 April 2022, President Biden signed into law bill H.R. 7108, revoking normal trade relations with the Russian Federation and the Republic of Belarus. This follows the President's statement on 11 March 2022 that the US, along with the EU and G7 countries, would call for revoking Russia's "most favored nation" ("MFN") status—known as "Permanent Normal Trade Relations" in the US. MFN requires WTO members to give the most favorable tariff and regulatory treatment accorded to the product of any one WTO member to "like products" of all other WTO members (subject to certain exceptions). H.R. 7108 suspends normal trade relations between the US and Russia/Belarus, meaning that imports originating in Russia and Belarus will be subject to higher duty rates. H.R. 7108 also authorizes the President to further increase the rates of duty applicable to products of Russia and Belarus. The new law at Section 6 also contains "Reauthorization of Sanctions under the Global Magnitsky Human Rights Accountability Act with Respect to Human Rights Violations and Corruption." Section 6 repeals Section 1265 of the Global Magnitsky Human Rights Accountability Act, which terminated the authority to impose sanctions under the subtitle 6 years after the date of enactment.

## Expansion of Sanctions Authorities to Additional Russian Economy Sectors

On 31 March 2022, the Secretary of Treasury, in consultation with the Secretary of State, determined that under EO 14024 Section 1(a)(i) sanctions may be imposed on persons determined by the US government to operate or have operated in the aerospace, marine, and electronics sectors of Russia's economy. On 8 May 2022, a further determination expanded EO 14024 Section 1(a)(i) to include the accounting, trust and corporate formation services, and management consulting sectors of Russia's economy. This determination provides the US Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") with the authority, but no requirement, to impose SDN (defined below) designations on persons operating in these sectors of Russia's economy, in addition to the financial services sector, technology sector and the defense and related materiel sector.

### Executive Order 14068

On 11 March 2022, President Biden signed [EO 14068](#) "Prohibiting Certain Imports, Exports, and New Investment with Respect to Continued Russian Federation Aggression." Specifically, EO 14068 prohibits:

- the importation of fish, seafood, and preparations thereof; alcoholic beverages; and non-industrial diamonds that are of Russian Federation origin into the US;
- the exportation, re-exportation, sale, or supply, directly or indirectly from the US, or by a US Person, wherever located, of luxury goods to any person located in the Russian Federation;
- new investment in any to-be specified sectors of the Russian Federation economy as determined by the Secretary of Treasury;
- the exportation, re-exportation, sale, or supply, directly or indirectly, of US dollar-denominated banknotes to the Government of the Russian Federation or any person located in the Russian Federation by a US Person or from the US; and
- any approval, financing, facilitation, or guarantee of a transaction by a US Person, wherever located, of a transaction by a foreign person where the transaction by the foreign person would be prohibited if performed by a US Person or within the US.

OFAC also published four General Licenses along with EO 14068:

- General License 17A (EO 14068): authorized all transactions, until 25 March 2022, that were ordinarily incident and necessary to the importation of alcoholic beverages or non-industrial diamonds of Russian Federation origin into the US pursuant to contracts or written agreements entered into prior to 11 March 2022. It also authorizes all transactions, until 23 June 2022, that are ordinarily incident and necessary to the importation of fish, seafood, and preparations thereof of Russian Federation origin into the US pursuant to contracts or written agreements entered into prior to 11 March 2022.
- General License 18 (EO 14068): authorizes all transactions that are ordinarily incident and necessary to the transfer of U.S. dollar-denominated banknote non-commercial, personal remittances from (1) the US or a US Person, wherever located, to an individual located in the Russian

Federation, or (2) a US Person who is an individual located in the Russian Federation. GL 18 states that the transferring institutions may rely on the originator of a funds transfer with regard to compliance, provided that the transferring institution does not know or have reason to know that the funds transfer is not in compliance.

- General License 19 (EO 14068): authorizes individuals who are US Persons located in the Russian Federation to engage in transactions that are ordinarily incident and necessary to their personal maintenance within the Russian Federation, including payment of housing expenses, taxes or fees, purchases or receipts of permits, licenses, or public utility services, and the acquisition of goods or services for personal use. It does not authorize transactions prohibited by EO 14024.
- General License 20 (EO 14068 section 1(a)(iv)/EO 14024): authorizes US Persons to engage in all transactions ordinarily incident and necessary to the official business of third-country diplomatic or consular missions located in the Russian Federation. GL 20 does not authorize the opening or maintaining of a correspondent account or payable-through account for or on behalf of any entity subject to Directive 2 under EO 14024; any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation; the exportation, re-exportation, sale or supply of US dollar-denominated banknotes to the Government of Russia (other than the payment of certain taxes, fees, and purchases of permits, licenses or public utility services); or any transaction involving Blocked Persons (defined below).

On 28 June 2022, OFAC determined that the prohibition in section 1(a)(i) of EO 14068 applies to gold of Russian origin, with immediate effect. The import into the US of Russian-origin gold, excluding gold that was located outside of Russia prior to 28 June 2022, is now prohibited, unless there is an applicable OFAC license.

## **Executive Order 14066**

On 8 March 2022, President Biden signed [EO 14066](#) "Prohibiting Certain Imports and New Investments With Respect to Continued Russian Federation Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine." Unlike prior sanctions measures and export restrictions, EO 14066 prohibits imports into the United States, directly or indirectly, of oil and related energy products of Russian Federation origin and prohibits US Persons from engaging in new investment in, or financing or facilitating new investment in, Russia's energy sector.

Specifically, EO 14066 prohibits:

- the import of crude oil; petroleum; petroleum fuels, oils, and products of their distillation; liquified natural gas; coal; and coal products of Russian Federation origin into the United States;
- new investment in the energy sector in the Russian Federation by a US Person, wherever located; and
- any approval, financing, facilitation, or guarantee by a US Person, wherever located, of a transaction by a non-US person that a US Person would be prohibited from engaging in directly.

OFAC also issued a new General License in conjunction with EO 14066:

- General License 16: authorized, through 21 April 2022, all transactions that were ordinarily incident and necessary to the importation into the US of crude oil; petroleum; petroleum fuels, oils, and products of their distillation; liquified natural gas; coal; and coal products of Russian Federation origin pursuant to written contracts or written agreements entered prior to 8 March 2022.

OFAC also has provided guidance at FAQ 1,014 that EO 14066 does not prohibit the import into the US of non-Russian origin products that have transited through Russia or departed from Russian ports.

## **New Investment Prohibitions FAQs**

On 6 June 2022, OFAC published [7 new FAQs](#) providing guidance on OFAC's interpretation of the "new investment" prohibitions in EOs 14066, 14068 and 14071. This guidance does not permit transactions otherwise prohibited by the RuHSR or other OFAC sanctions programs.

[OFAC FAQ 1049](#) explains the term "new investment." OFAC views "investment" as the commitment of capital or other assets for the purpose of generating returns or appreciation, and "new" investment as such a commitment made on or after the effective date of the respective EO prohibitions. FAQ 1049 also includes examples of transactions that are and are not considered to be "new investment" prohibitions. For example, transactions that are considered to be "new investment" include purchasing or acquiring real estate in Russia (other than for noncommercial personal use), lending funds to persons located in Russia for commercial purposes, and purchasing an equity interest in an entity located in Russia. Transactions that are not considered to be new investment include maintaining an investment in Russia made prior to the effective date of the relevant new investment prohibition and winding down or divesting such a pre-existing investment.

[OFAC FAQ 1050](#) outlines the types of transactions that OFAC considers to be "maintenance" activities described in [FAQ 1049](#) and outside of the scope of "new investment" prohibitions, and it defines the "maintenance" of investments to include:

- transactions to ensure continuity of pre-existing projects or operations located in the Russian Federation, including payments to employees, suppliers, landlords, lenders, and partners;
- the preservation and upkeep of pre-existing tangible property in the Russian Federation; and
- activities associated with maintaining pre-existing capital investments or equity investments.

FAQ 1050 clarifies that transactions ordinarily incident to performance under an agreement that pre-dates the relevant new investment prohibition is not prohibited, provided that such transactions are consistent with previously established practices and support pre-existing projects and operations.

[OFAC FAQ 1051](#) states that the prohibitions on "new investment" do not prohibit the export or import of goods, services, or technology, or related sales or purchases, to or from Russia, provided that such transactions are made pursuant to ordinary commercial sales terms and refers the reader to [FAQ 1049](#). In addition, FAQ 1051 clarifies that such trade related transactions can

be supported by traditional trade finance products such as letters of credit and documentary collections.

[OFAC FAQ 1052](#) explains that US Persons can continue to fund their subsidiaries and affiliates with projects or operations located in Russia in place prior to the effective dates of the new investment prohibitions, as long as the use of funds by a subsidiary or affiliate is consistent with "maintenance" of such an investment, as described in [FAQ 1050](#), as opposed to new or expanded projects or operations.

[OFAC FAQ 1053](#) states that transactions related to the divestment or facilitation of divestment of a pre-existing investment, including a pre-existing investment in an entity, project, or operation in Russia, are not prohibited by the new investment prohibitions, but such transactions may not involve a Blocked Person or otherwise prohibited transactions, unless authorized by OFAC. FAQ 1053 also clarifies that US Persons are prohibited by the new investment prohibitions from facilitating the buy-side of such transactions.

[OFAC FAQ 1054](#) explains that the new investment prohibitions do prohibit US Persons from purchasing both new and existing debt and equity securities issued by an entity in Russia; however, the new investment prohibitions do not prohibit US Persons from selling or divesting, or facilitating the sale or divestment of, debt or equity securities issued by an entity in Russia to a non-US person. FAQ 1054 also clarifies that the conversion of depositary receipts into underlying local shares of non-sanctioned Russian issuers does not constitute a prohibited "new investment." In regard to investments in US funds that hold debt or equity securities of Russian issuers, FAQ 1054 states that such investments are not prohibited "new investments" provided that such securities represent less than a predominant share by value of the US fund's holdings.

[OFAC FAQ 1055](#) states that the new investment prohibitions do not prohibit US Persons from lending funds to, or purchasing an equity interest in, entities located outside Russia provided that such funds are not specifically intended for new projects or operations in Russia and the revenues of the entity located outside of Russia are not predominantly derived from its investments in Russia.

### ***SDN Listings***

Since 22 February 2022, the US has imposed blocking sanctions on the following individuals and entities by listing them as Specially Designated Nationals ("**SDNs**") under the authority of [EO 14024](#), [EO 14039](#), [EO 14038](#), [EO 13405](#), or [EO 13694](#). To date these are:

- Dmitry Bulgakov, Yunus-Bek Evkurov, Timur Ivanov, Aleksey Krivoruchko, Aleksander Aleksandrovich Mikheev, Nikolay Pankov, Yuriy Sadovenko, Dmitry Shugayev, Ruslan Tsalikov, Gennady Zhidko, and Viktor Zolotov (11 senior Russian defense officials) (note that certain of these individuals were already listed as SDNs under previous EOs);
- the families of Dmitriy Peskov and Yuri Kovalchuk; Viktor Feliksovich Vekselberg and two of his luxury assets, P4-MIS, an aircraft, and Tango, a yacht; VTB Bank's Management Board; Vyacheslav Volodin, and Members of the Russian State Duma (note that certain of these individuals were already listed as SDNs under previous EOs);

- six major Russian financial institutions, Vnesheconombank (VEB), Promsvyazbank (PSB), VTB Bank (VTB), Bank Financial Corporation Otkritie (Otkritie), Sovcombank (Sovcombank) and Novikombank (Novikombank), as well as 96 of their subsidiaries;
- Vladimir Putin, the President of the Russian Federation, and Sergei Lavrov, Sergei Shoigu and Valery Gerasimov, Russia's Minister of Foreign Affairs, Minister of Defense and Chief of the General Staff of the Russian Armed Forces;
- Nord Stream 2 AG, the Nord Stream 2 pipeline operating company, and Matthias Warnig, the Chief Executive Officer (CEO) of Nord Stream 2 AG;
- the Russian Direct Investment Fund (RDIF), Limited Liability Company RVC Management Company, Joint Stock Company Management Company of the Russian Direct Investment Fund and Kirill Aleksandrovich Dmitriev, the CEO of RDIF;
- a number of Belarusian state-owned banks, including Belinvestbank and Bank Dabrabyt, and entities and individuals operating in the Belarusian defense and security industries for the support provided by Belarus for Russia's actions in Ukraine (EO 14038);
- Denis Aleksandrovich Bortnikov, Vladimir Sergeevich Kiriyeenko, Sergei Sergeevich Ivanov, Andrey Patrushev and Ivan Igorevich Sechin, the sons of five previously designated individuals that are in Vladimir Putin's inner circle;
- Petr Mikhailovich Fradkov, the Chairman and CEO of PSB, Alexander Aleksandrovich Vedyakhin, the First Deputy Chairman of the Executive Board of Sberbank of Russia (Sberbank), Andrey Sergeevich Puchkov and Yuriy Alekseyevich Soloviev, both of whom are high-ranking VTB executives, as well as Mr. Soloviev's wife and two real estate companies owned by Mr. Puchkov;
- five vessels, the Baltic Leader, Linda, Pegas, Fesco Magadan and Fesco Moneron, owned by a subsidiary of PSB;
- The State Duma of the Federal Assembly of the Russian Federation and 328 Duma members (note that four members were previously designated by OFAC);
- Hernan Oskarovich Gref, CEO of Sberbank; Gennady Timchenko, his companies and family members; 17 board members of Sovcombank; Boris Viktorovich Obnosov (Obnosov), General Director of KTRV (note that certain of these individuals were previously designated by OFAC);
- Halina Radzivonawna Lukashenka, wife of the President of Belarus (who is already listed as an SDN under EO 13405)
- 48 Russian defense state-owned enterprises, including Joint Stock Company Russian Helicopters (Russian Helicopters), Tactical Missiles Corporation JSC (KTRV), JSC NPO High Precision Systems (High Precision Systems), NPK Tekhmash OAO (Tekhmash), Joint Stock Company Kronshtadt (Kronshtadt), and Joint Stock Company Concern Sea Underwater Weapon Gidropribor;
- 21 entities and 13 individuals linked to alleged sanctions evasion networks, technology companies and malware hackers, including OOO Serniya

Engineering (Serniya), OOO Sertal (Sertal), OOO Robin Treid, Majory LLP, Photon Pro LLP, Invention Bridge SL, Alexsong Pte Ltd, Irina Viktorovna Nikolaeva, Yevgeniya Aleksandrovna Podgornova, Sergey Aleksandrovich Yershov, Anton Alekseevich Krugovov, Andrey Georgiyevich Zakharov, Yevgeniy Aleksandrovich Grinin, Viacheslav Yuryevich Dubrovinskiy, Tamara Aleksandrovna Topchi, OOO Nauchno-Tekhnicheskii Tsentr Metrotek, OOO Pamkin Khaus, OOO Foton Pro, Evgeniya Vladimirovna Bernova (Bernova), Malberg Ltd (Malberg), Nikita Aleksandrovich Sobolev, Djeco Group LP, Djeco Group Holding Ltd, Maltarent Ltd, SCI Griber, Sernia-Film Co Ltd, Quantlog OY, AO NII Vektor, Joint Stock Company Mikron (Mikron), Molecular Electronics Research Institute (MERI), Sergei Alekseevich Bobkov (Bobkov), Konstantin Vasilyevich Malevanyy (Malevanyy), Evgeny Viktorovich Gladkikh, and T-Platforms;

- Hydra Market, Russia's Darknet Market, Garantex Europe OU, a virtual currency exchange, and identified 100 virtual currency addresses associated with Hydra's operations allegedly used to conduct illicit transactions;
- Sberbank and 42 Sberbank subsidiaries, Alfa-Bank, six Alfa-Bank subsidiaries, and five vessels owned by Alfa-Lizing OOO, daughters of President Putin, Katerina Vladimirovna Tikhonova and Maria Vladimirovna Vorontsova, Russia's Foreign Minister Sergey Lavrov's wife and daughter, Maria Aleksandrovna Lavrova and Yekaterina Sergeyevna Vinokurova, and the remaining members of Russia's Security Council, including former President and Prime Minister of Russia Dmitry Medvedev;
- Public Joint Stock Company Alrosa (Alrosa), United Shipbuilding Corporation (USC), and USC's 28 subsidiaries and eight board members (note that USC was previously designated by OFAC);
- Public Joint Stock Company Transkapitalbank (TKB) and its subsidiary, Joint Stock Company Investtradebank; more than 40 individuals and entities led by previously designated Russian Oligarch Konstantin Malofeyev, Malofeyev's son, Kirill Konstantinovich Malofeyev and his companies Limited Liability Company Vladeks Kholding, Limited Liability Company Vladeks, Limited Liability Company Russian Digital Solutions, General Director of Vladeks Kholding, Ilya Anatolyevich Markov, and virtual currency mining industry, Bitriver AG, including 10 of its Russia-based subsidiaries;
- Eight additional members of the Executive Board of Sberbank, 27 members of Gazprombank's Board of Directors (note that certain of these individuals were already listed as SDNs under previous EOs), Joint Stock Company Moscow Industrial Bank (MIB) and 10 of MIB's subsidiaries; Limited Liability Company Promtekhlogiya, Joint Stock Company Channel One Russia, Television Station Russia-1, and Joint Stock Company NTV Broadcasting Company;
- Five Russian government officials; Several Russian individuals described in the Treasury Department's press release regarding these designations as "oligarchs or elites," including Maria Zakharova, Alexey Mordashov, and Sergei Pavlovich Roldugin and his wife; Imperial Yachts SARL, its CEO, Evgeniy Borisovich Kochman, and several entities owned/controlled by Kochman; Ironstone Marine Investments; JSC Argument; Limited Liability Company Algoritm; Limited Liability Corporation Gelios; Non-profit



Partnership Revival of Maritime Traditions; Nord Gold PLC; O'Neill Assets Corporation; Public Joint Stock Company Severstal; SCF Management Services Cyprus Ltd.; Severgroup Limited Liability Company; several yachts, aircrafts, and San Marino-based SRL Skyline Aviation; and

- 70 entities and 29 Russian individuals including: (1) entities related to Russia's defense industrial base, such as, State Corporation Rostec and several of its subsidiaries and affiliates: (a) in Russia's aerospace sector, including among others PJSC United Aircraft Corporation, Tupolev PJSC, Irkut Corporation JSC, PJSC Taganrog Aviation Scientific-Technical Complex N.A.G.M. Beriev; (b) in Russia's defense technology sector, including JSC Concern Avtomatika, JSC Information Security Reform and OJSC Russian Electronics; (c) that are industrial exporters, including JSC Shvabe, KAMAZ Publicly Traded Company, and a number of KAMAZ's subsidiaries; and (d) that are related management entities, including JSC RT-Tekhpriemka, RT-Capital LLC and RT-Business Development; (2) individuals and entities that are allegedly part of a covert procurement network linked to Russia's Federal Security Service ("**FSB**"); (3) individuals and entities participating in Russia's war against Ukraine, including State Flight Testing Center Named After V.P. Chkalov and Interregional Social Organization Union of Donbas Volunteers; (4) individuals and entities that are part of state-linked private military companies, including LLC RSB-Group and LLC Private Security Organization RSB-Group; (5) individual leaders of the so-called Donetsk People's Republic and Luhansk People's Republic regions; and (6) Advanced Research Foundation and its director for operating in the defense and related materiel sector of the Russian Federation.

Related to some of these designations, OFAC also issued general licenses:

- General License 2 (EO 14024): authorized transactions with VEB and its 50% or more directly or indirectly owned subsidiaries that were ordinarily incident and necessary to the servicing of bonds issued before 1 March 2022 by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation;
- General License 3 (EO 14024): authorized transactions that were ordinarily incident to the wind down of transactions involving VEB or its subsidiaries until 24 March 2022;
- General License 4 (EO 14039): authorized transactions that were ordinarily incident and necessary to the wind down of transactions involving Nord Stream 2 AG and its 50% or more directly or indirectly owned subsidiaries until 2 March 2022; and
- General License 11 (EO 14024): authorized transactions that were ordinarily incident to the wind down of transactions involving VTB, Otkritie and Sovcombank and their 50% or more owned subsidiaries until 26 March 2022.

On 15 March 2022, OFAC designated four individuals and one entity pursuant to the Sergei Magnitsky Rule of Law Accountability Act of 2012 ("**Magnitsky Act**"):

- Natalia Evgenievna Mushnikova, Nurid Denilbekovich Salamov, Khusein Merlovich Khutaev, Dzhabrail Alkhazurovich Akhmatov, and the Kurchaloi

District of the Chechen Republic Branch of the Ministry of Internal Affairs of the Russian Federation.

On 15 June 2022, OFAC imposed blocking sanctions on the following individuals listing them as SDNs under counter-terrorism related EO 13224 for being supporters of the Russian Imperial Movement, which allegedly raises funds to support Russia's aggression in Ukraine:

- Stanislav Shevchuk, Anton Thulin, and Alexander Zhuchkovsky.

The blocking sanctions under the above referenced EOs require US Persons to block the property and property interests of SDNs and entities owned 50% or more by them directly or indirectly ("**Blocked Persons**") in their possession or control. OFAC defines "**US Persons**" to include US citizens or green-card holders globally, anyone physically located in the US, and any US domiciled entity, including their non-US branches. OFAC also requires non-US persons to comply with the sanctions whenever their transactions involve US Persons or the US financial system ("**US Elements**").

### ***State Department Sanctions***

On 28 June 2022, the US State Department, in tandem with the US Treasury, imposed sanctions pursuant to EO 14024 on an additional 45 defense-related entities and 29 individuals, as well as designating three Russian military units and re-designating Russia's FSB, which have been involved in the alleged human rights abuses or violations of international humanitarian law in Ukraine.

The US State Department also imposed sanctions on Uzbekistan-based Promcomplektlogistic Private Company under EO 14024 for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to, or in support of, Radioavtomatika, which was previously designated as an SDN under EO 14024, by providing electronic components such as microcircuits to Radioavtomatika. The US State Department's [Fact Sheet](#) stated regarding this designation: "The designation of Promcomplektlogistic Private Company should serve as a warning to commercial stakeholders worldwide: If you do business with sanctioned entities or individuals, you risk exposure to sanctions."

### ***State Department Visa Actions***

On 20 April 2022, the US State Department imposed visa restrictions on: (i) 635 Russian nationals allegedly involved in suppressing dissent in Russia and abroad, activities that threaten the territorial integrity of Ukraine, and involved in alleged human rights abuses in prison facilities and places of unofficial detention in Russia-controlled areas of the Donbas region of Ukraine; (ii) 3 Russian Federation officials for alleged involvement in gross violations of human rights; and (iii) 17 individuals allegedly responsible for undermining democracy in Belarus.

On 28 June 2022, the US State Department further imposed visa restrictions on more than 500 Russian military officers and officials involved in suppressing dissent.

### ***Correspondent and Payable-Through Account Sanctions (CAPTA Sanctions) - Sberbank***

On 24 February 2022, OFAC issued [Directive 2](#) under EO 14024 that prohibits, absent an applicable OFAC license or exemption, US financial

institutions, as of 26 March 2022, from opening or maintaining correspondent or payable-through accounts for: (1) Sberbank; (2) the 25 Sberbank subsidiaries listed in Annex 1 to Directive 2; and (3) any other foreign financial institution, as defined in Directive 2, that is 50% or more owned by Sberbank. Directive 2 also prohibits US financial institutions from processing any transactions involving these entities or their property, or in which these entities have an interest.

### ***Prohibitions Related to New Debt and Equity***

Also on 24 February 2022, OFAC issued [Directive 3](#) under EO 14024, which prohibits the involvement of US Elements in transactions or dealings involving new debt of longer than 14 days maturity or new equity, issued on or after 26 March 2022, of the following companies (and any entities owned 50% or more, directly or indirectly, by them) (without a licence):

- Credit Bank of Moscow
- Gazprombank
- Alfa-Bank
- Russian Agricultural Bank
- Sovcomflot
- Russian Railways
- Alrosa
- Gazprom
- Gazprom Neft
- Rostelecom
- Rushydro
- Sberbank
- Transneft

### ***Prohibitions on Transactions Involving the Central Bank of the Russian Federation***

On 28 February 2022, OFAC issued [Directive 4](#) under EO 14024 prohibiting, absent an applicable license or exemption, the involvement of US Elements in any transaction involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities.

On 24 March 2022, the Treasury also issued new guidance (OFAC FAQ 1029) making clear that any transaction involving gold related to the Central Bank of the Russian Federation is covered by existing sanctions.

### ***Russian Sovereign Debt***

On 22 February 2022, OFAC issued new [Directive 1A](#) under EO 14024 that prohibits US financial institutions from participating, as of 1 March 2022, in the secondary market for ruble or non-ruble denominated bonds issued after 1 March 2022 by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the

Russian Federation. This expands the pre-existing US sanctions that continue to prohibit US financial institutions from lending to or participating in the primary market for ruble or non-ruble denominated bonds issued by the above Russian issuers as of 14 June 2021.

On 5 April 2022, the US Treasury halted Russia's dollar debt payments from the country's foreign currency reserves held at US banks. Up until this point, the US Treasury had been allowing the Russian government to utilize its frozen reserves held by the Russian Central Bank at US financial institutions to make coupon payments on dollar-denominated sovereign debt on a case-by-case basis.

### ***Donetsk and Luhansk Regions***

The Biden Administration has issued new US sanctions on trade and commerce involving parts of the Donetsk and Luhansk regions of Ukraine, equivalent to the US sanctions on Crimea.

Specifically, on 21 February 2022 President Biden signed [EO 14065](#) "Blocking Property of Certain Persons and Prohibiting Certain Transactions with Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine." EO 14065 prohibits:

- new investment in the so-called Donetsk People's Republic ("**DNR**") and Luhansk People's Republic ("**LNR**") regions of Ukraine by US Persons, wherever located;
- the import into the United States, directly or indirectly, of any goods, services, or technology from the DNR and LNR regions;
- the exportation, re-exportation, sale or supply, directly or indirectly, from the United States, or by a US Person, wherever located, of any goods, services, or technology to the DNR and LNR regions; and
- any approval, financing, facilitation or guarantee by a US Person, wherever located, of any transactions by a non-US person that the sanctions would prohibit a US Person from engaging in directly.

OFAC to date has issued nine general licenses authorizing certain activity in the DNR and LNR regions otherwise prohibited by EO 14065. In summary these general licenses are:

- General License 17 (EO 14065): authorized all transactions that were ordinarily incident and necessary to the wind down of transactions involving the DNR and LNR regions of Ukraine until 23 March 2022. Authorized transactions included the divestiture or transfer to a non-US person of a US Person's share of ownership in any pre-21 February 2022 investment located in these regions, and the winding down of operations, contracts, or other agreements in effect prior to 21 February 2022 involving exports, re-exports, sale or supply of goods, services, or technology to, or importation of any goods, services, or technology, from these regions of Ukraine.
- General License 18 (EO 14065): authorizes all transactions that are ordinarily incident and necessary to the export or re-export of agricultural commodities, medicine, medical devices, replacement parts and components for medical devices, or software updates for medical devices, to the DNR and LNR regions. Also authorizes transactions related to the prevention, diagnosis and treatment of COVID-19 in those regions.

- General License 19 (EO 14065): authorizes all transactions that are ordinarily incident and necessary to the receipt of telecommunications and mail involving the DNR and LNR regions.
- General License 20 (EO 14065): authorizes all transactions that are for the official business of certain international organizations (such as the United Nations) by their employees, grantees or contractors in the regions.
- General License 21 (EO 14065): authorizes all transactions that are ordinarily incident to the transfer of non-commercial personal remittances to or from the DNR and LNR regions, or for or on behalf of an individual ordinarily resident in those regions. Also authorizes transactions ordinarily incident and necessary to maintaining, operating, or closing an account of an individual ordinarily resident in those regions, other than an SDN, provided that the transactions processed through the account are (i) of a personal nature and not for the benefit of an entity, including supporting or operating a business, and (ii) do not involve transfers directly or indirectly to the DNR or LNR or for the benefit of persons ordinarily resident in the DNR or LNR unless the transfers are non-commercial personal remittances.
- General License 22 (EO 14065): authorizes all transactions that are ordinarily incident and necessary to the exportation or re-exportation, directly or indirectly, from the United States or by US Persons, wherever located, to persons in the DNR and LNR regions, of services incident to the exchange of personal communications over the internet.
- General License 23 (EO 14065): authorizes transactions that are ordinarily incident and necessary to activities by nongovernmental organizations to support humanitarian projects in the DNR or LNR, such as activities to support democracy, education, non-commercial development projects, related to health, food security, and water and sanitation, and environmental and natural resource protection in the DNR and LNR.
- General License 24 (EO 14065): authorizes all transactions that are related to the provision or receipt of civil maritime services performed by individuals ordinarily resident in DNR or LNR regions of Ukraine, or other such regions of Ukraine as determined by the Secretary of Treasury ("**Covered Regions**"), provided that: (1) the services are performed outside of the Covered Regions, and (2) such services are not performed on behalf of any entity located in or organized under the laws of the Covered Regions. GL 24 does not license any new investment in the Covered Regions prohibited by EO 14065 or any transactions involving blocked individuals pursuant to EO 14065, unless separately authorized.
- General License 25 (EO 14065/EO 13685): authorizes US Persons who are news reporting organizations or individuals regularly employed by a news reporting organization as a journalist or as supporting broadcast or technical personnel to engage in certain transactions ordinarily incident and necessary to their journalistic activities in Crimea and the so-called DNR or LNR regions of Ukraine. "News reporting organization" under GL 25 means an entity whose primary purpose is the gathering and dissemination of news to the general public.

OFAC has not yet issued any SDN designations under EO 14065 but has the authority to do so for persons determined to have engaged in sanctionable activity, such as persons operating in DNR and LNR after issuance of EO

14065 and persons who are leaders or officials of entities operating in those regions after issuance of EO 14065.

### ***Additional General Licenses***

Since 24 February 2022, OFAC issued the following general licenses under EO 14024 and the Russian Harmful Foreign Activities Sanctions Regulations ("[RuHSR](#)"):

- General License 5: authorizes transactions for the conduct of the official business of: (1) the International Centre for Settlement of Investment Disputes and the Multilateral Investment Guarantee Agency; (2) the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank Group (IDB Group), including any fund entity administered or established by any of the foregoing; and (3) the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies.
- General License 6A: authorizes transactions related to the exportation or re-exportation of agricultural commodities, medicine, medical devices, replacement parts and components for medical devices, or software updates for medical devices to, from or transiting Russia. Also authorizes transactions for the prevention, diagnosis and treatment of COVID-19, including research or clinical studies, or ongoing clinical trials and other medical research activities that were in effect prior to 24 March 2022. GL 6A does not authorize the opening or maintaining of a correspondent account or payable-through account for or on behalf of any entity subject to Directive 2 under EO 14024, any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation; or any transaction prohibited by EO 14066 or EO 14068.
- General License 7A (RuHSR): authorizes all transactions ordinarily incident and necessary to the receipt of and payment of charges for, services rendered in connection with overflights of Russia, or emergency landings in Russia by US registered aircraft or aircraft owned or controlled by or chartered to US Persons. Also authorizes transactions to provide air ambulance services and related medical services, including medical evacuation, to individuals in Russia. GL 7A does not authorize the opening or maintaining of a correspondent account or payable-through account for or on behalf of any entity subject to Directive 2 of EO 14024, or any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation.
- General License 8C (RuHSR): authorizes, through 4 December 2022, transactions involving one or more of the following entities that are related to "energy" (as defined in the general license): (1) VEB, Otkritie, Sovcombank, Sberbank, VTB, Alfa-Bank, and any entity owned 50% or more, directly or indirectly, by these financial institutions; and (2) the Central Bank of the Russian Federation. GL 8C does not authorize any transactions prohibited by Directive 1A or by the Directive 2 prohibitions on US financial institutions opening or maintaining correspondent account or payable-through accounts for Directive 2 sanctioned entities under EO

14024. GL 8C also does not authorize any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation or any transactions otherwise prohibited by RuHSR unless separately authorized.

- General License 9C (RuHSR): OFAC issued a [notice](#) on 24 May 2022 stating that it would not renew the provisions of GL 9C that expire on 25 May 2022. GL 9C authorized, through 24 May 2022, transactions that were ordinarily incident and necessary to dealings in debt or equity of one or more of the following entities provided that any divestment or transfer of, or facilitation of divestment or transfer of, covered debt or equity is to a non-US Person: VEB, Otkritie, Sovcombank, Sberbank, VTB and any entity owned 50% or more, directly or indirectly, by these financial institutions. Also authorized transactions that were ordinarily incident and necessary to facilitating, clearing, and settling trades in covered debt or equity through 24 May 2022 provided that the trades were placed prior to 4:00 pm US eastern time on 24 February 2022. These authorizations expired on 25 May 2022. Also authorizes all transactions prohibited by the RuHSR that are ordinarily incident and necessary to dealings in debt or equity of Alfa-Bank or any entity owned 50% or more, directly or indirectly, by Alfa-Bank issued before 6 April 2022 until 30 June 2022, provided that any divestment or transfer of, or facilitation of divestment or transfer of, Alfa-Bank debt or equity must be to a non-US person. Also authorizes all transactions prohibited by RuHSR that are ordinarily incident and necessary to dealings in debt or equity of Alrosa or any entity 50% or more, directly or indirectly, by Alrosa issued prior to 7 April 2022 until 1 July 2022, provided that any divestment or transfer of, or facilitation of divestment or transfer of, Alrosa debt or equity must be to a non-US person. All transactions prohibited by Directive 4 under EO 14024 that are ordinarily incident and necessary to the receipt of interest, dividend, or maturity payments in connection with debt or equity of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation issued before 1 March 2022, were authorized through 24 May 2022. This authorization also expired on 25 May 2022.
- General License 10C (RuHSR): OFAC did not issue an extension to the authorizations in GL 10C which expired on 25 May 2022. GL 10C authorized, through 24 May 2022, transactions that were ordinarily incident and necessary to the wind down of derivative contracts entered into prior to 4:00 pm US eastern time on 24 February 2022 that (i) include one of the following entities as a counterparty or (ii) are linked to debt or equity of a covered entity, provided any payments to a blocked person are made to a blocked account: VEB, Otkritie, Sovcombank, Sberbank, VTB and any entity owned 50% or more, directly or indirectly, by these financial institutions. This authorization expired on 25 May 2022. All transactions prohibited by the RuHSR that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to 4:00 pm US eastern time on 6 April 2022 that (i) include Alfa-Bank or any entity owned 50% or more, directly or indirectly by Alfa-Bank as a counterparty or (ii) are linked to debt or equity of an Alfa-Bank entity are authorized through 29 June 2022, provided that any payments to a blocked person are made into a blocked account. Also all transactions prohibited by the RuHSR that are ordinarily incident and necessary to the wind down of derivative contracts

entered into prior to 4:00 pm US eastern time on 7 April 2022 that (i) include Alrosa, or any entity owned 50% or more, directly or indirectly, by Alrosa as a counterparty or (ii) are linked to debt or equity of an Alrosa entity are authorized through 30 June 2022, provided that any payments to a blocked person are made into a blocked account. All transactions prohibited under Directive 4 under EO 14024 that are ordinarily incident and necessary to the wind down of derivative contracts, repurchase agreements, or reverse repurchase agreements with the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation as a counterparty entered prior to 1 March 2022 were authorized through 24 May 2022. This authorization also expired on 25 May 2022. GL 10C does not authorize the opening or maintaining of a correspondent or payable-through account for or on behalf of an entity subject to Directive 2 under EO 14024, any debit to an account on the books of a U.S. financial institution of Directive 4 entities, or any transactions otherwise prohibited.

- General License 12: authorized US Persons, until 26 March 2022, to reject (instead of blocking) transactions involving: Otkritie, Sovcombank, VTB and any entity owned 50% or more, directly or indirectly, by these financial institutions.
- General License 13A: authorizes, through 29 September 2022, US Persons to pay taxes, fees, or import duties, and purchase or receive permits, licenses, registrations, or certifications, to the extent such transactions are prohibited by Directive 4 under EO 14024, provided such transactions are ordinarily incident and necessary to such US Persons' day-to-day operations in the Russian Federation. GL 13A does not authorize any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, or any transactions otherwise prohibited by RuHSR, including transactions involving any person blocked pursuant to the RuHSR, unless separately authorized.
- General License 14: authorizes transactions prohibited by Directive 4 under EO 14024 involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation if the entity's sole function in the transaction is to act as an operator of a clearing and settlement system, provided that (1) there is no transfer of assets to or from any Directive 4 entity, unless separately authorized; and (2) no Directive 4 entity is either a counterparty or a beneficiary to the transaction, unless separately authorized. GL 14 does not authorize any debit to an account on the books of a US financial institution of any Directive 4 entity.
- General License 15: authorizes transactions prohibited by the RuHSR involving any entity owned 50% or more, directly or indirectly, by Alisher Burhanovich Usmanov that is not an SDN, unblocks all property interests of the blocked Usmanov entities, and authorizes debits to accounts on the books of US financial institutions of blocked Usmanov entities. GL 15 does not authorize any transactions otherwise prohibited by the RuHSR, including those involving Alisher Burhanovich Usmanov, or his property interests, other than the blocked Usmanov entities.



- General License 21A (RuHSR): authorized US Persons to engage in transactions ordinarily incident and necessary to the wind down of Sberbank CIB USA, Inc. or Alrosa USA, Inc. (collectively, the "**blocked entities**") or any entity owned 50% or more, directly or indirectly, by the blocked entities, including the processing and payment of salaries, severance, and expenses; payments to vendors and landlords; and closing of accounts, through 6 June 2022.
- General License 22 (RuHSR): authorized transactions ordinarily incident and necessary to the wind down of transactions involving Sberbank or any entity owned 50% or more, directly or indirectly, by Sberbank that are prohibited by EO 14024 through 12 April 2022. GL 22 did not authorize any transactions prohibited by Directive 2 under EO 14024.
- General License 23 (RuHSR): authorized transactions ordinarily incident and necessary to the wind down of transactions involving Alfa-Bank or any entity owned 50% or more, directly or indirectly, by Alfa-Bank that are prohibited by EO 14024 through 5 May 2022.
- General License 24 (RuHSR): authorized all transactions ordinarily incident and necessary to the wind down of transactions involving Alrosa or any entity 50% or more owned, directly or indirectly, by Alrosa that are prohibited by EO 14024 through 6 May 2022.
- General License 25B (RuHSR): authorizes all transactions ordinarily incident and necessary to the receipt or transmission of telecommunications involving the Russian Federation that are prohibited by RuHSR. Also authorizes the exportation or reexportation, sale, or supply, directly or indirectly, from the US or by US Persons, wherever located, to the Russian Federation of services, software, hardware, or technology incident to the exchange of communications over the internet, such as instant messaging, videoconferencing, chat and email, social networking, sharing of photos, movies, and documents, web browsing, blogging, web hosting, and domain registration services, that is prohibited by RuHSR. GL 25B does not authorize the opening or maintaining of a correspondent or payable-through account for or on behalf of an entity subject to Directive 2 under EO 14024 or any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, any transactions prohibited by EO 14066 or EO 14068, or any transactions involving Joint Stock Company Channel One Russia, Joint Stock Company NTV Broadcasting Company, Television Station Russia-1, or Limited liability Company Algoritm, unless separately authorized.
- General License 26A (RuHSR): authorizes all transactions ordinarily incident and necessary to the wind down of transactions involving Joint Stock Company SB Sberbank Kazakhstan, Sberbank Europe AG, or Sberbank (Switzerland) AG (collectively, "**the blocked Sberbank subsidiaries**"), or any entity owned 50% or more, directly or indirectly, by the blocked Sberbank subsidiaries that are prohibited by EO 14024 through 11 July 2022. GL 26A does not authorize any transactions prohibited by Directive 2 or Directive 4 of EO 14024, or any other transactions prohibited by RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than the blocked persons described in GL 26A.

- General License 27 (RuHSR): authorizes all transactions ordinarily incident and necessary to the following activities by nongovernmental organizations that are prohibited by the RuHSR provided that the only involvement of Blocked Persons is the processing of funds by financial institutions blocked pursuant to EO 14024:
  - (1) activities to support humanitarian projects to meet basic human needs in Ukraine or the Russian Federation,
  - (2) activities to support democracy building in Ukraine or the Russian Federation,
  - (3) activities to support education in Ukraine or the Russian Federation,
  - (4) activities to support non-commercial development projects directly benefitting the people of Ukraine or the Russian Federation, and
  - (5) activities to support environmental and natural resource protection in Ukraine or the Russian Federation.

GL 27 does not authorize any transaction prohibited by Directive 2 under EO 14024, any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, or any transaction prohibited by EOs 14066 or 14068.

- General License 28 (RuHSR): authorizes all transactions involving Public Joint Stock Company Transkapitalbank (TKB) or any entity owned 50% or more, directly or indirectly, by TKB that are ultimately destined for or originating from Afghanistan and prohibited by EO 14024 through 19 October 2022. US financial institutions are authorized to operate correspondent accounts on behalf of TKB or any entity owned 50% or more, directly or indirectly, by TKB provided such accounts are used solely to effect transactions ultimately destined for or originating from Afghanistan and prohibited by EO 14024, but GL 28 does not authorize any transactions prohibited by Directive 2 or Directive 4 under EO 14024, or any transaction otherwise prohibited by the RuHSR, including involving any person blocked pursuant to the RuHSR other than TKB, unless separately authorized.
- General License 29 (RuHSR): authorized all transactions ordinarily incident and necessary to the wind down of transactions involving Public Joint Stock Company Transkapitalbank (TKB) or any entity owned 50% or more, directly or indirectly, by TKB that were prohibited by EO 14024 through 19 May 2022. GL 29 did not authorize any transaction prohibited by Directive 2 or Directive 4 under EO 14024, or any transactions otherwise prohibited by the RuHSR, including involving any person blocked pursuant to the RuHSR other than TKB, unless separately authorized.
- General License 30 (RuHSR): authorizes all transactions involving Gazprom Germania GmbH, or any entity owned 50% or more, directly or indirectly, by Gazprom Germania GmbH that are prohibited by Directive 3 under EO 14024 through 29 September 2022. GL 30 does not authorize any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR, unless separately authorized.

- General License 31 (RuHSR): authorizes the following transactions in connection with a patent, trademark, copyright, or other form of intellectual property ("IP") protection in the US or the Russian Federation that would be prohibited by RuHSR:
  - the filing and prosecution of any application to obtain a patent, trademark, copyright, or other form of IP protection;
  - the receipt of a patent, trademark, copyright, or other form of IP protection;
  - the renewal or maintenance of a patent, trademark, copyright, or other form of IP protection; and
  - the filing and prosecution of any opposition or infringement proceeding with respect to a patent, trademark, copyright, or other form of IP protection, or the entrance of a defense to any such proceeding.

GL 31 does not authorize the opening or maintaining of a correspondent account or payable-through account for or on behalf of foreign financial institutions determined to be subject to the prohibitions of Directive 2 under EO 14024, any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, or any transactions prohibited by EO 14066 or 14068.

- General License 32 (RuHSR): authorizes all transactions ordinarily incident and necessary to the wind down of transactions involving Amsterdam Trade Bank NV, or any entity owned 50% or more, directly or indirectly, by Amsterdam Trade Bank NV, that are prohibited by EO 14024 through 11 July 2022. GL 32 does not authorize any transactions prohibited by Directive 2 or Directive 4 under EO 14024, or any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than the blocked persons described in GL 32.
- General License 33 (RuHSR): authorized all transactions ordinarily incident and necessary to the wind down of operations, contracts, or other agreements involving one or more of the following blocked persons that were in effect prior to 8 May 2022 and that are prohibited by EO 14024 through 6 June 2022, provided that any payment to a blocked person must be made into a blocked account located in the US in accordance with the RuHSR:
  - Joint Stock Company Channel One Russia;
  - Joint Stock Company NTV Broadcasting Company;
  - Television Station Russia-1; or
  - any entity in which one or more of the above persons own, 50% or more, directly or indirectly, individually or in the aggregate.

GL 33 does not authorize any transactions prohibited by Directive 2 or Directive 4 under EO 14024, or any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than the blocked persons described in GL 33.

- General License 34 (RuHSR): authorizes all transactions ordinarily incident and necessary to the wind down of the exportation, reexportation, sale, or

supply, directly or indirectly, from the US, or by a US Person, wherever located, of accounting, trust and corporation formation, or management consulting services to any person located in the Russian Federation that are prohibited by Section 1(a)(ii) of EO 14071 through 6 July 2022. GL 34 does not authorize any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR, unless separately authorized.

- General License 35 (RuHSR): authorizes all transactions ordinarily incident and necessary to the exportation, reexportation, sale, or supply, directly or indirectly, from the US, or by a US Person, wherever located, of credit rating or auditing services to any person located in Russia that are prohibited by section 1(a)(ii) of EO 14071 through 19 August 2022. GL 35 does not authorize any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR, unless separately authorized.
- General License 36 (RuHSR): authorizes all transactions prohibited by EO 14024 that are ordinarily incident and necessary to the wind down of transactions involving PJSC Severstal or any entity 50% or more owned, directly or indirectly, by PJSC Severstal through 30 August 2022, provided that any payment to PJSC Severstal or any other Blocked Person must be made into a blocked account in accordance with the RuHSR. GL 36 does not authorize any transactions prohibited by Directives 2 or Directive 4 under EO 14024 or any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than PJSC Severstal, unless separately authorized.
- General License 37 (RuHSR): authorizes all transactions prohibited by EO 14024 that are ordinarily incident and necessary to the wind down of transactions involving Nord Gold PLC or any entity 50% or more owned, directly or indirectly, by Nord Gold PLC through 30 June 2022, provided that any payment to Nord Gold PLC or any other Blocked Person must be made into a blocked account in accordance with the RuHSR. GL 37 does not authorize any transactions prohibited by Directive 2 or Directive 4 under EO 14024 or any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than Nord Gold PLC, unless separately authorized.
- General License 38 (RuHSR): authorizes all transactions ordinarily incident and necessary to the processing of pension payments to US Persons that are prohibited by EO 14024, provided that the only involvement of Blocked Persons is the processing of funds by financial institutions blocked pursuant to EO 14024. GL 38 does not authorize the opening or maintaining of a correspondent account or payable-through account for or on behalf of any entity determined to be subject to the prohibitions of Directive 2, any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, or any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than the financial institutions blocked pursuant to EO 14024 processing funds, unless separately authorized.
- General License 39 (RuHSR): authorizes all transactions ordinarily incident and necessary to the wind down of any transaction involving State

Corporation Rostec or any entity owned 50% or more, directly or indirectly, by State Corporation Rostec (and that was not a Blocked Person prior to 28 June 2022), through 10 August 2022, provided that any payment to a Blocked Person must be made into a blocked account in accordance with the RuHSR. GL 39 does not authorize any transactions prohibited by EO 14024 Directives 2 or 4 or any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than the blocked entities mentioned in GL 39, unless separately authorized.

- General License 40 (RuHSR): authorizes all transactions ordinarily incident and necessary to the provision, exportation, or reexportation of goods, technology, or services to ensure the safety of civil aviation involving one or more of the blocked entities listed in the [Annex to GL 40](#) provided that: (1) the aircraft is registered in a jurisdiction solely outside of the Russian Federation; and (2) the goods, technology, or services provided, exported, or reexported are for use on aircraft operated solely for civil aviation purposes. GL 40 does not authorize any transactions prohibited by EO 14024 Directives 2 or 4 or any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than the blocked entities listed in the Annex to GL 40, unless separately authorized.
- General License 41 (RuHSR): authorizes all transactions ordinarily incident and necessary to the manufacture, sale, and maintenance, including the provision and receipt of warranty and maintenance services, of agricultural equipment, components, and spare parts produced by Nefaz Publicly Traded Company ("**Nefaz**") or Public Joint Stock Company Tutaev Motor Plant ("**Tutaev Motor Plant**"), or any entity owned 50% or more, directly or indirectly, by Nefaz or Tutaev Motor Plant, through 21 December 2022, provided that any payment to a blocked person must be made into a blocked account in accordance with the RuHSR. GL 41 does not authorize the opening or maintaining of a correspondent account or payable-through account for or on behalf of any entity subject to EO 14024 Directive 2 or any debit to an account on the books of a US financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, or any transaction prohibited by EO 14066, 14068, or 14071.
- General License 42 (RuHSR): authorizes all transactions involving the FSB prohibited by EO 14024, provided that such transactions and activities are ordinarily incident and necessary to one or more of the following –
  - (1) Requesting, receiving, utilizing, paying for, or dealing in licenses, permits, certifications, or notifications issued or registered by the FSB for the importation, distribution, or use of information technology products in the Russian Federation, provided that (i) the exportation, reexportation, or provision of any goods or technology that are subject to the Export Administration Regulations is licensed or otherwise authorized by the Department of Commerce; and (ii) the payment of any fees to the FSB for such licenses, permits, certifications, or notifications does not exceed USD 5,000 in any calendar year. This paragraph does not authorize the exportation, reexportation, or provision of goods or technology to or on behalf of the FSB.

- (2) Complying with law enforcement or administrative actions or investigations involving the FSB.
- (3) Complying with rules and regulations administered by the FSB.

GL 42 also does not authorize any transactions prohibited by EO 14024 Directives 2 or 4 or any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than the blocked person described in GL 42, unless separately authorized.

- General License 43 (RuHSR): authorizes all transactions prohibited by EO 14024 that are ordinarily incident and necessary to the divestment or transfer of debt or equity of Public Joint Stock Company Severstal ("**Severstal**") or Nord Gold PLC ("**Nord Gold**"), or any entity owned 50% or more, directly or indirectly, by Severstal or Nord Gold, purchased prior to 2 June 2022, through 30 August 2022, provided that any divestment or transfer, or facilitation of divestment or transfer, of such debt or equity must be to a non-US person. Also authorizes all transactions prohibited by EO 14024 that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to 2 June 2022 that (i) includes either Severstal or Nord Gold, or any entity owned 50% or more, directly or indirectly, by Severstal or Nord Gold, or (ii) are linked to covered debt or equity through 30 August 2022, provided that any payments to a Blocked Person are made into a blocked account in accordance with the RuHSR. GL 43 does not authorize US Persons to sell, or to facilitate the sale of, covered debt or equity to, directly or indirectly, any Blocked Person, or US Persons to purchase or invest in, or to facilitate the purchase of or investment in, directly or indirectly, covered debt or equity, other than purchases of or investments in covered debt or equity that are ordinarily incident and necessary to the divestment or transfer of covered debt or equity. Also does not authorize any transactions prohibited by EO 14024 Directives 2 or 4 or any transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR other than those described in GL 42, unless separately authorized.

OFAC also issued the following amended general licenses under the Ukraine Related Sanctions Regulations ("**URSR**") authorizing certain transactions involving GAZ Group, which OFAC designated as an SDN under EOs 13661 and 13662 in April 2018:

- General License 13R (URSR): OFAC did not issue a further extension of GL 13R and it therefore expired on 25 May 2022. GL 13R authorized all transactions and activities otherwise prohibited by the URSR that were ordinarily incident and necessary to (1) divest or transfer debt, equity, or other holdings in GAZ Group to a non-US person, or (2) to facilitate the transfer of debt, equity, or other holdings in GAZ Group by a non-US person to another non-US person, through 24 May 2022. Also authorized all transactions and activities otherwise prohibited by the URSR that were ordinarily incident and necessary to (1) divest or transfer debt, equity, or other holdings in GAZ Group, or in any entity owned 50% or more, directly or indirectly, by GAZ Group that were issued by GAZ Auto Plant ("**Other Issuer Holdings**") to a non-US person, or (2) facilitate the transfer of Other Issuer Holdings to a non-US person to another non-US person through 24 May 2022. The transactions and activities authorized include facilitating, clearing, and settling transactions to divest to a non-US person debt,

equity, or other holdings in GAZ Group, or Other Issuer Holdings, including on behalf of US persons. GL 13R does not authorize (1) the unblocking of any property blocked pursuant to any OFAC regulations other than the URSR, (2) US persons to sell debt, equity, or other holdings to; to purchase or invest in debt, equity, or other holdings in; or to facilitate such transactions with, directly or indirectly, any person whose property and interests in property are blocked pursuant to URSR, including GAZ Group, other than purchases of or investments in debt, equity, or other holdings in those persons, or Other Issuer Holdings, (3) any transactions or dealings involving the property or interests in property of any person whose property and interests in property are blocked pursuant to URSR other than GAZ Group, or any entity 50% or more owned, directly or indirectly, by GAZ Group or (4) any transactions or dealings otherwise prohibited by any other OFAC regulations.

- General License 15L (URSR): OFAC did not issue a further extension of GL 15L and it therefore expired on 25 May 2022. GL 15L authorized all transactions and activities prohibited by URSR that were ordinarily incident and necessary to the wind down of transactions involving GAZ Group, or any entity owned 50% or more, directly or indirectly, by GAZ Group, through 24 May 2022. GL 15L did not authorize any debit to an account of GAZ Group, or any entity owned 50% or more, directly or indirectly, by GAZ Group, on the books of a US financial institution, or any transactions or activities otherwise prohibited by the URSR, or prohibited by any other OFAC regulations, statute, or EO, or involving any blocked person other than GAZ Group and its 50% or more owned entities.

OFAC also has repealed the existing Ukraine-related Sanctions Regulations and replaced them with a more detailed set of regulations titled the Ukraine-/Russia Related Sanctions Regulations ("**URSR**"). The new URSR now implement the sectoral sanctions under EO 13662, the Crimea sanctions under EO 13685, and provisions of the Ukraine Freedom Support Act (UFSA), the Support for the Sovereignty, Integrity, Democracy, and Economic Stability Act (SSIDES), and the Countering America's Adversaries Through Sanctions Act (CAATSA)

The new URSR contain the following new general licenses:

- § 589.509: authorizes US financial institutions to invest and reinvest certain blocked funds.
- § 589.910: authorizes all transactions that are for the conduct of the official business of the US government by employees, grantees, or contractors thereof.
- § 589.511: authorizes all transactions that are for the conduct of official business of certain international organizations and entities by employees, grantees, or contractors thereof.
- § 589.518: authorizes certain transactions that are necessary and ordinarily incident to publishing in Crimea.
- § 589.519: authorizes the receipt of, and payment of charges for, services rendered in connection with emergency landings in Crimea by aircraft registered in the US or owned or controlled by, or chartered to US Persons. Also authorizes US Persons to engage in certain transactions to

provide air ambulance and related medical services, including medical evacuation from Crimea, for individuals in Crimea.

- § 589.520: authorizes certain transactions in support of nongovernmental organizations' activities in Crimea.
- § 589.521: authorizes US financial institutions to engage in certain transactions related to closing a correspondent or payable-through account for a foreign financial institution listed on OFAC's CAPTA list.

OFAC also issued the following general licenses under Belarus-related EO 14038:

- General License 6: authorizes transactions involving the official business of the United States Government by its employees, grantees or contractors.
- General License 7: authorizes transactions involving the official business of certain international organizations, including: (1) the United Nations, including its Programmes, Funds, and Other Entities and Bodies, as well as its Specialized Agencies and Related Organizations; (2) the International Centre for Settlement of Investment Disputes and the Multilateral Investment Guarantee Agency; (3) the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank Group (IDB Group), including any fund entity administered or established by any of the foregoing; and (4) the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies.



## **US EXPORT CONTROLS**

### **BIS adds 36 Entities to the Entity List**

On 28 June 2022, BIS added 36 additional [entities](#) to the Entity List, 10 of which relate to Russia:

- six entities were added to the Entity list under the destinations of China, Lithuania, Russia, the United Kingdom, Uzbekistan, and Vietnam for allegedly providing support to Russia's military and/or defense industrial base, and for having supplied items to Russian "entities of concern" prior to 24 February 2022 and continuing to contract and supply Russian parties listed and sanctioned since the invasion;
- two entities were added under the destination of Russia on the basis of their attempts to procure items, including US-origin items, for activities contrary to the national security and foreign policy interests of the US; and
- two entities were added under the destination of Russia for actions contrary to the national security and foreign policy interests of the US.

These entities were added to the Entity list with a license requirement for all items subject to the EAR. BIS will review license applications for most of these items under a policy of denial, with food and medicine reviewed on a case-by-case basis for certain entries and others under specific end-use license review policies. No license exceptions are available for exports, reexports, or transfers (in-country) to these entities. This rule also revised a number of existing entries as well.

### **BIS/FinCEN Export Controls Joint Alert**

On 28 June 2022, the Financial Crime Enforcement Network ("FinCEN") and BIS issued a [joint alert](#) urging financial institutions to remain vigilant for possible attempts by individuals and entities to evade BIS export controls on Russia. The joint alert provides an overview of BIS's current export restrictions, a list of commodities of particular concern for export control evasion, and select transactional and behavioural red flags to assist financial institutions in identifying suspicious transactions. A more in-depth analysis of the joint alert will be published separately.

### **71 Entities from Belarus and Russia added to the Entity List**

On 2 June 2022, BIS added a total of [71 entities](#) to the Entity List. Of those entities, 66 were added to the Entity List with a footnote 3 designation, which means that a license is required for the export, reexport, transfer (in-country), or the export from abroad (i.e., of items captured under the MEU Russia/Belarus foreign direct product rule) of all items subject to the EAR that are destined to these 66 entities. No license exceptions are available to overcome this license requirement and, further, BIS generally will deny all such license applications. Notably, however, BIS implemented (also on 2 June 2022) a new case-by-case review policy for license applications to send food and medicine designated as EAR99 to any party with a footnote 3 designation on the Entity List.

In addition to the above, 5 Russian entities were added to the Entity List without the footnote 3 designation. A license is required for the export, reexport, or transfer of all items subject to the EAR to these entities. No

license exceptions are available, and BIS will review license applications with a policy of denial, including those for EAR99 food and medicine.

Separately, on 2 June 2022, BIS also issued a [final rule](#) to implement a number of clarifications and corrections to the export controls that have been imposed on Russia and Belarus since 24 February. We have incorporated these amendments below, as applicable. Notably, this final rule also authorized BIS to make enforcement case charging letters publicly available upon issuance. The change applies to all BIS enforcement actions, including enforcement actions related to the Russia and Belarus-specific export controls. Previously, charging letters were only made public after the final resolution of the administrative case (i.e., investigation), which was typically years after the charging letter was issued. BIS stated that allowing charging letters to be made available to the public prior to the final disposition of enforcement cases will benefit interested parties with more timely, enhanced visibility into BIS's enforcement activities and priorities. Documents other than charging letters will continue to be made available publicly only after the final administrative disposition of the applicable case.

### **BIS Publishes Charging Letter Against Russian Oligarch for Alleged EAR Violations Related to Unauthorized Flights of Aircraft to Russia**

On 6 June, 2022, for the first time, BIS publicly released a charging letter on the same day it was issued to the alleged violator. The charging letter, which was posted to the BIS website, states that Roman Abramovich, a Russian oligarch, engaged in three alleged violations of the EAR by flying two different US-origin aircraft into Russia in March 2022 without the required license. Notably, BIS had previously identified both aircraft in its public list of aircraft that have operated in apparent violation of the EAR.

Under the heightened export controls on Russia, there is a license requirement (effect 24 February 2022) to export, reexport, or transfer (in country) to Russia an aircraft subject to the EAR, unless a license exception would apply. Since 2 March 2022, an aircraft subject to the EAR that is registered in, owned or controlled by, or under charter or lease by Russia or a national of Russia is prohibited from using license exception Aircraft, Vessels, and Spacecraft ("**AVS**") for flights to Russia. BIS provided additional guidance in the press release stating that this restriction on the availability of license exception AVS applies "regardless of whether that Russian national also has dual nationality". No other license exceptions are available to overcome the license requirement for aircraft going to Russia. The charging letter states that Abramovich, a Russian national, "effectively" owned, controlled, chartered and/or leased the two aircraft that were subject to the EAR and, accordingly, the flights of these aircraft into Russia were not eligible for authorization under license exception AVS. The charging letter further alleges that a license application was not submitted for any of the three flights and that they were conducted without the required BIS authorization. Abramovich has thirty days from 6 June to respond to the charges laid out in the letter, which is available [here](#).

The publication of this charging letter comes on the heels of the 2 June amendment to the EAR that authorized BIS to make such charges public. Before 2 June, charging letters could only be made public after BIS had closed the relevant case (generally years after the charging letter was issued). In the Commerce Department press release, BIS stated that "[i]n publicly announcing this Charging Letter, BIS is ensuring that the exporting community

and public writ large know who is allegedly violating [the EAR]. It also incentivizes those who may be in violation to cease and voluntarily self-disclose such violations."

## Expanded Russian Industry Sector Sanctions To Target Commercial and Industrial Operations

On 9 May 2022, BIS filed a [final rule](#) expanding the EAR's existing sanctions and export controls against the Russian industry sector, imposing a licensing requirement for exports, reexports or transfers (in-country) to and within Russia for additional items subject to EAR. Specifically, the new license requirement applies to EAR99 commercial and industrial items identified under specific Schedule B numbers or Harmonized Tariff Schedule codes. This final rule expands on the Russian Industry Sector Sanctions rule at Section 746.5 of the EAR, which imposes a licensing requirement (and general policy of denial) for certain EAR items used in the oil and gas sector.

Specifically, the existing Russian Industry Sector sanctions impose a license requirement for the export, re-export or transfer (in-country) of certain items subject to the EAR that the exporter knows "will be used directly or indirectly in exploration for, or production of, oil or gas in:" (i) Russian deepwater (greater than 500 feet); (ii) Russian Arctic offshore locations; or (iii) shale formations in Russia (collectively "**Section 746.5 Prohibited Projects**"); and in instances where the exporter is "unable to determine whether the item will be used in such projects." (See 15 CFR 746.5(a)(1)). BIS had previously amended the Russian Industry Sector sanctions on 3 March 2022, to include additional oil refining equipment, including: (i) any item subject to the EAR listed in Supplement no. 2 to Part 746 and items specified in ECCNs 0A998, 1C992, 3A229, 3A231, 3A232, 6A991, 8A992, and 8D999 when you "know" that the item will be used directly or indirectly in exploration for Section 746.5 Prohibited Projects or are unable to determine whether the item will be used in such projects; and (ii) any item subject to the EAR listed in supplement no. 4 to Part 746.

The new rule, effective 9 May 2022, adds 205 HTS codes (at the 6-digit level) and 478 corresponding 10-digit Schedule B numbers to Supplement no. 4 to Part 746. These additions result in numerous new items, which notably include, among other items, certain hydraulic power engines, wood products, woodworking machinery, refrigerating units, air conditioning machines, letterpress printing machinery, textile machinery, power looms, needles for knitting machines, dry cleaning machines, reaction engines, motors, and other parts of machinery, were identified because of their potential use by the Russian industrial sector. BIS further notes that the addition of these items also served to better align the EAR's Russia-related sanctions and export restrictions with the EU's controls, and specifically, to further reduce access to key industrial items by the Russian military.

On 2 June 2022, BIS updated three Schedule B entries for Supplement no. 2 to Part 746 (the list of items relevant for the 746.5 Prohibited Projects license requirements) by updating the Schedule B numbers for Electrostatic precipitators, industrial gas cleaning equipment (8421390120); Industrial gas cleaning equipment, NESOI (8421390130); and, Gas separation equipment (8421390140). BIS further amended Section 746.5 to state that these three Schedule B entries are also included in Supplement no. 4 to Part 746 (the list of items relevant for the broader industrial-related license requirements) and parties must comply with both of the license requirements as applicable.

## **BIS Expanded Export License Requirements to all Items on the Commerce Control List and Excludes Belarusian Airlines/Operators from License Exception AVS**

Effective 8 April 2022, a new Final Rule expanded the export license requirements for exports, reexports, or transfers (in country) to or within Russia and Belarus all items that fall under Export Control Classification Numbers ("**ECCNs**") on the Commerce Control List ("**CCL**") in Categories 0-2. These categories are:

- Category 0 – Nuclear Materials, Facilities And Equipment (and Miscellaneous Items);
- Category 1 – Materials, Chemicals, Microorganisms and Toxins; and
- Category 2 – Materials Processing.

This action, together with the previous expansion of license requirements for CCL Categories 3-9, means an export license is now required for all items with an ECCN (i.e., all items on the CCL) to Russia and Belarus. Items that were en route on 8 April 2022 were free to go without a license, but any export, reexport, or transfer (in country) not already en route as of that date is subject to the new license requirements.

In addition, BIS also revised the Russia/Belarus FDP Rule to now apply to all items on the CCL. Accordingly, as of 8 April 2022, items manufactured outside the United States that are the direct product of any software or technology with an ECCN on the CCL (Categories 0-9) or is produced by a plant or major component of a plant that is itself the direct product of such software and technology, will now be subject to the EAR under the Russia/Belarus FDP rule if there is knowledge that (i) the item is destined to Russia or Belarus or (ii) the item will be incorporated or further manufactured in or destined to Russia or Belarus. EAR99 items are not captured under the expanded Russia/Belarus FDP Rule. Items that are now subject to the Russia/Belarus FDP Rule as a result of the 8 April expansion are free to go without a license until 9 May 2022. Any item that is not en route on 9 May 2022 will be subject to the new license requirements.

Finally, effective 8 April 2022 BIS further narrowed the License exception AVS such that it cannot be used by any aircraft registered in, owned or controlled by, or under charter or lease by Belarus or a Belarusian national, in addition to Russia and Russian nationals.

## **BIS Denies Export Privileges for Eight Russian Airlines**

On 24 June 2022, BIS issued Temporary Denial Orders ("**TDO**") on Nordwind Airlines, Pobeda Airlines, and Siberian Airlines due to their ongoing apparent violations of comprehensive export controls imposed on Russia by the Commerce Department. This enforcement action follows TDOs previously issued against Aeroflot, Aviastar, Azur Air, Rossiya, and UTair (as discussed below). As with the other TDOs, with this action BIS terminates the right of three airlines to participate in transactions that involve items subject to the EAR. Among other things, the TDOs against Nordwind, Pobeda, and Siberian Airlines prevents the export or reexport to Nordwind, Pobeda, and Siberian Airlines of any item subject to the EAR without BIS authorization and also prohibits the use of any items subject to the EAR to service any Nordwind, Pobeda, and Siberian aircraft absent a BIS authorization. The TDO also

restricts third parties from engaging in certain activities with Nordwind, Pobeda, and Siberian Airlines when those activities also involve items subject to the EAR. The TDOs were issued for 180-days and may be renewed/extended.

In addition, BIS updated its list of aircrafts in violation of the EAR.

#### Previously Issued TDOs

On 20 May 2022, BIS issued a TDO on Rossiya Airlines. In the press release, BIS stated that "BIS continues its efforts to notify the public that providing any form of service to aircraft subject to the EAR that may have violated these controls on Russia or Belarus requires authorization. Absent such authorization, any person anywhere—including within Belarus or Russia—risks violating the EAR and would be subject to BIS enforcement actions which could include substantial jail time, fines, loss of export privileges, or other restrictions." In addition, BIS outlined that "any subsequent actions taken with regard to any of the listed aircraft, including, but not limited to, refueling, maintenance, repair, or the provision of spare parts or services, are subject to the prohibitions outlined in General Prohibition Ten of the EAR."

On 7 April 2022, BIS issued TDOs denying US export privileges for three Russian Airlines – Aeroflot, Azur Air, and UTair. In the 7 April, BIS stated that "Aeroflot, Utair, and Azur Air engaged in and continue to engage in recent conduct prohibited by the EAR by operating controlled aircraft subject to the EAR without the required" license or other BIS authorization. These TDOs mark the first enforcement actions taken by BIS with respect to the new export controls on Russia and indicate that BIS is closely monitoring and investigating aircraft subject to the EAR that are operating to or within Russia.

In addition, on 21 April 2022, BIS issued a TDO on Aviastar, a Russian cargo aircraft carrier. In the press release, BIS stated that "[a]irlift capacity is essential for military success and economic prosperity, and that is why we targeted Russia's aerospace sector. [a]ctions like today's Temporary Denial Order demonstrate that BIS's Export Enforcement is working hard to ensure that our new controls have their intended effect: To severely degrade and diminish Russia's capacity to quickly move people, cargo, and weapons against Ukraine."

The TDOs deny these airlines from participating in transactions which involve items subject to the EAR for 180 days (BIS noted that the TDOs could be extended/renewed after that time). Specifically, the TDOs prohibit these airlines from engaging in any transactions or other dealings that involve items subject to the EAR – which greatly restricts their ability to acquire or otherwise deal in US-origin goods or goods that contain more than 25% controlled US-origin content.

### **BIS Denies Export Privileges for Belarusian Airline**

On 16 June 2022, BIS issued a TDO denying all export privileges for Belavia Belarusian Airlines ("**Belavia**"). This is the first enforcement action taken by BIS against an airline in Belarus under the stringent export controls imposed by the US on 8 April 2022, which removed the license exception availability for any aircraft registered in, owned, or controlled by, or under charter or lease by Belarus or a national of Belarus, and imposed a license requirement for these Belarusian owned/operated aircraft. The TDO bans Belavia from participating

in any transactions subject to the EAR, and it prohibits anyone (both US and non-US persons) from the following:

- exporting, reexporting, or transferring (in-country) to or on behalf of Belavia any item subject to the EAR except directly related to safety of flight and authorized by BIS;
- taking any action that facilitates the acquisition or attempted acquisition by Belavia of the ownership, possession, or control of any item subject to the EAR that has been or will be exported from the US;
- taking any action to acquire from or to facilitate the acquisition or attempted acquisition from Belavia of any item subject to the EAR that has been exported from the US;
- obtaining from Belavia in the US any item subject to the EAR with knowledge or reason to know that the item will be, or is intended to be, exported from the US; or
- engaging in any transaction to service any item subject to the EAR that has been or will be exported from the US and which is owned possessed or controlled by Belavia, or servicing any item, of whatever origin, that is owned, possessed or controlled by Belavia if such service involves the use of any item subject to the EAR that has been or will be exported from the US.

The Belavia TDO is substantially similar to the TDOs recently issued for Russian airlines. It is valid for 180-days from 16 June and may be renewed and extended by BIS.

### **BIS Publishes List of Commercial and Private Aircraft Exported to Russia in Violation of EAR – Puts Aerospace Industry on Notice of EAR Risks Associated with Engaging with these Aircraft**

On 18 March 2022, BIS publicly identified over 100 commercial and private planes that flew into Russia "in apparent violation" of the EAR (*i.e.*, were exported or re-exported to Russia without a required license). In its press release on the matter, BIS noted that this list puts the public on notice "*that providing any form of service to these aircraft requires authorization. Absent such authorization, any person anywhere – including within Russia – risks violating the EAR and would be subject to BIS enforcement actions.*" BIS specifically noted that it was notifying "*all persons and companies in the United States and abroad,*" highlighting that non-US persons and entities can be equally liable for violations of the EAR. Such violations, including violations of General Prohibition ("GP") 10 (described below), can result in significant civil fines and criminal penalties, including imprisonment (for individuals). In addition, there can be considerable internal costs and reputational harm to a company.

The list of planes is available in the [press release](#), though BIS stated the list is not exhaustive and also that the list will be updated as warranted. The publication of this list follows the recently expanded export controls on aircraft and related items destined to Russia and Belarus (detailed further below).

BIS specifically noted that by publishing this list the general public is on notice that any actions taken with regard to the listed aircraft, including, among other things, repair, maintenance, refuelling and the provision of spare parts, are

subject to GP 10 under the EAR. GP 10 prohibits proceeding with a transaction if you know or have reason to know that an export violation has or is about to occur. If there is such knowledge:

*"You may not sell, transfer, export, reexport, finance, order, buy, remove, conceal, store, use, loan, dispose of, transport, forward, or otherwise service, in whole or in part, any item subject to the EAR and exported or to be exported with knowledge that a violation of the Export Administration Regulations, the Export Administration Act or any order, license, License Exception, or other authorization issued thereunder has occurred, is about to occur, or is intended to occur in connection with the item. Nor may you rely upon any license or License Exception after notice to you of the suspension or revocation of that license or exception. There are no License Exceptions to this General Prohibition Ten in part 740 of the EAR."*

BIS has published several rounds of updates to the list – both removing aircraft that have been redelivered to non-Russian parties (after BIS issued authorization) and adding new aircraft identified by BIS as operating in apparent violation of the EAR. Notably, on 14 April BIS added for the first time seven Belarusian aircraft to the list. Previously, the list only included aircraft operated by Russian entities. In its press release, BIS stated with respect to Belarus: "[s]ince April 9, 2022, based on publicly available information, BIS has identified a number of commercial aircraft being reexported from third countries to Belarus, all of which are owned or controlled by, or under charter or lease to, Belarus or Belarusian nationals, and has listed those aircraft below (in bold). This is in addition to BIS's on-going identification of Russian aircraft via public listing that have likely violated the EAR since March 2, 2022."

These additions to the list indicate BIS is closely monitoring US jurisdictional aircraft operating to, from and within Belarus and Russia and we anticipate further additions to the list.

## **Prohibitions on Russian Vessels and Aircraft**

On 22 April 2022, President Biden prohibited Russian-affiliated vessels from entering US ports. Specifically, vessels sailing under the Russian flag, or that are owned or operated by Russian or Russian interest, will not be allowed to dock in a US port or access US shores, except in very limited circumstances. The prohibition aligns with similar actions imposed by Europe, the UK, and Canada and follows President Biden's previous prohibition (effective 2 March 2022) on airlines and aircraft which are owned, certified, operated, registered, chartered, leased, or controlled by, for, or for the benefit of a national of Russia from flying in domestic US airspace.

## **Export Restrictions on Luxury Goods**

On 11 March 2022, BIS imposed export license requirements on a broad list of Luxury Goods to all end users in Russia and Belarus and to certain Russian and Belarusian oligarchs and malign actors, wherever located. Previously, Luxury Goods had only been restricted for export to North Korea. Notably, under the 11 March restrictions, BIS issued an extensive list of covered Luxury Goods separate from the list relevant for North Korea that includes, among other items, tobacco products, clothing, footwear, jewelry, vehicles, boats, antiques, and spirits, wine, and beer. The full list is available at Supplement No. 5 to Part 746 of the EAR.

The license requirement applies to items included on the Luxury Goods list that are subject to the EAR, regardless of the monetary value of the item. Notably, however, under the new restrictions, a license is required for the export, re-export, or transfer (in country) of any item subject to the EAR that is included on the list of Luxury Goods (outlined below), except for 61 Schedule B entries for clothing and footwear items. For these 61 entries, there is a USD \$1,000 value threshold and, on 2 June 2022 BIS clarified that the license requirement applies for these 61 Schedule B entries only when the per unit wholesale price in the United States is USD \$1,000 or greater.

- anyone in Russia or Belarus; and
- any Russian or Belarusian oligarch or malign actor, regardless of geographic location, who has been designated as an SDN under certain of OFAC's Russia or Ukraine-related EOs or for any transaction to which such a person is party.

A very limited number of license exemptions are available and license applications for such transactions will be subject to a policy of denial.

The license requirements are effective as of 11 March and apply to all export transactions of covered Luxury Goods, though there is a savings clause for shipments that were *en route* on 11 March – such items are free to go without a license. Any future shipments to Russia, Belarus, or the designated Russian and Belarusian oligarchs will require a license if not otherwise authorized.

On 24 February 2022, the Department of Commerce's Bureau of Industry and Security ("**BIS**") issued a Final Rule, *Implementation of Sanctions Against Russia Under the Export Administration Regulations (EAR)* (the "[Russia Final Rule](#)"), which significantly expands existing export controls on Russia. In addition, the Russia Final Rule "*imposes comprehensive export, reexport and transfer (in country) restrictions*" on the Donetsk and Luhansk regions, which align with existing restrictions on the Crimea region of Ukraine and imposes a policy of denial to license applications for all three regions (collectively, the "**Covered Regions of Ukraine**").

On 2 March 2022, *BIS issued as a final rule the Imposition of Sanctions Against Belarus Under the Export Administration Regulations (EAR)* (the "**Belarus Final Rule**"), effective 2 March, which extended to Belarus many of the same restrictions applicable to Russia since 24 February 2022 and further expanded the restrictions as to Russia. Collectively, the Russia Final Rule and the Belarus Final Rule significantly expand existing export controls on Russia and Belarus. The Russia Final Rule primarily targets Russia's defense, aerospace, and maritime sectors, and is designed to restrict the export and re-export of highly sensitive US technologies to Russia. The Belarus Final Rule aims to prevent diversion of items, technologies, and software through Belarus to Russia, as well as impose similar restrictions on Belarusian defense, aerospace, and maritime sectors.

The changes under the Russia Final Rule were effective on 24 February 2022. The changes under the Belarus Final Rule were effective on 2 March 2022. As discussed further below, a very narrow savings clause applied to certain transactions through 26 March 2022.



Combined, the pre-existing restrictions in the Russia Final Rule and the new Belarus Final Rule restrictions:

- expand EAR export controls jurisdiction and impose new license requirements on a broader group of items subject to the EAR;
- expand export controls on Russian "military end users" and "military end uses"; ("**MEUs**"), adds Belarus to the list of countries subject to the controls on MEUs and also includes Belarus in the same expanded MEU controls which the Russia Final Rule imposed on Russia;
- create two new Foreign Direct Product ("**FDP**") Rules – one broadly applicable to each of Russia and Belarus as a country and the other specifically directed at Russian and Belarusian "military end users" – which serve to further expand EAR export controls jurisdiction to items manufactured wholly outside of the United States; and
- impose changes which will make it more difficult to obtain licenses or other authorizations to export, re-export, or transfer (in country) items subject to the EAR to Russia and Belarus.

### **Overview of the EAR**

The EAR has broad jurisdiction and applies extraterritorially to items subject to the EAR everywhere in the world. EAR jurisdiction "follows the goods." This means that the EAR regulates exports, re-exports, and transfers of covered items globally, even if the transaction is between non-US persons and takes place outside the United States. Depending on the type of item, the destination, the end user, and the end use, a license may be required from the BIS for the export, re-export, or transfer of the item.

Items subject to the EAR can include:

- items anywhere in the world produced or manufactured in the United States;
- items in or exported from the United States, regardless of where they were manufactured;
- items manufactured outside the United States that include certain percentages (*de minimis*) of controlled US-origin content; and, in certain cases; and
- items manufactured outside the United States (*i.e.*, foreign-produced items) that are the direct product of certain controlled US technology or software, or by a plant or a major component of a plant that is itself a direct product of such technology or software.

The new export controls on Russia and Belarus include special rules for *de minimis* and foreign-produced items. Accordingly, even wholly non-US entities intending to re-export items subject to the EAR to Russia and Belarus may be captured by the new restrictions.

While the new measures are specifically directed at the Russian, and Belarusian, defense, aerospace, and maritime sectors, including their supply chain companies, the measures will likely have a significant impact on other industrial sectors. This is because the new restrictions include most technology, including general electronics and computers as well as telecommunications and information security.

## ***License Requirements for Additional Categories of Items Subject to the EAR***

ECCNs in Categories 3–9 of the CCL, which include Electronics, Computers, Telecommunications and Information Security, Sensors and Lasers, Navigation and Avionics, Marine, and Aerospace and Propulsion, now have new license requirements for the export, re-export, or transfer (in country) of these items to Russia and Belarus. All ECCNs in these categories will require a license for Russia and Belarus unless a license exception applies, or the transaction is otherwise specifically excluded from the new license requirements.

These additional license requirements are "*intended to further restrict items to the Russian military and defense sector*" and in the case for Belarus "*intended to restrict items to and within Belarus, thereby reducing the risk of diversion to the Russian military and Russian defense sector,*" but, in practice, have much broader implications. For example, the expanded license requirements apply to certain parts and components used in civil aircraft, which previously did not require a license for export to Russia, or Belarus.

In addition, items under these ECCNs now will be relevant for *de minimis* calculations. Businesses wholly outside of the United States will now therefore need to account for these new restrictions when conducting export jurisdiction determinations and evaluating potential exports and re-exports to Russia, or Belarus.

## ***Military End Use and End User ("MEU") Rule for Russia and Belarus***

The Russia Final Rule also expands the scope of the MEU rule, as it applies to Russia. Under this amended rule, a license is required if a party knows or has reason to know that any items subject to the EAR are intended for an MEU in Russia even if the item is actually intended for civilian use. Effective 2 June 2022, BIS removed the exclusion pertaining to food and medicine designated as EAR99. Accordingly, the license requirement for Russian and Belarussian MEU now extends to EAR99 food and medicine. BIS will review license applications to send EAR99 food and medicine to MEUs on a case-by-case basis. Applications for all other items subject to the EAR, including all other EAR99 items, that are destined for Russian and Belarussian MEUs are subject to a license review policy of denial. This applies to all Russian and Belarussian entities that have a footnote 3 designation on the Entity List (with a few narrow exceptions).

Notably, the Belarus Final Rule adds Belarus (which previously was not subject to the MEU rule), to the list of countries subject to the MEU rule and includes Belarus in the same expanded version of the MEU rule that the Russia Final Rule imposed on Russia.

In addition, the Russia Final Rule transfers 45 Russian entities – including many prominent Russian entities active in the defense, technological, and aerospace and aviation sectors – from the MEU List (a list of entities specifically subject to the MEU Rule) to the BIS Entity List, as well as adds two new Russian entities to the Entity List.

The Belarus Final Rule adds two new Belarussian entities to the Entity List, including the Belarussian armed forces. These Russian and Belarussian entities

are denoted with a "footnote 3" designation on the Entity List, which subjects them to additional license requirements under the EAR (discussed below).

Entities on the Entity List are prohibited from receiving specified items subject to the EAR without a license. BIS has stated that additional entities may be added in the future.

In addition, on 1 April 2022, BIS announced additional export control measures, adding [120 entities](#) closely linked to Russia's defense and other strategic sectors to the Entity List. Ninety-five of these were added as MEUs under the destinations of Belarus and Russia and also designated these entities under Footnote 3 of the Entity List. Accordingly, these ninety-five entities are subject to the Russia/Belarus MEU FDP Rule (as discussed in the section below). The other twenty-five entities were added under the destination of Russia for acquiring and attempting to acquire items subject to the EAR in support of Russia's military modernization efforts. Pursuant to these measures, a license is now required to export, reexport or transfer of all items subject to the EAR to the designed entities, and such applications will be reviewed with a policy of denial. Further, EAR license exceptions are prohibited for such transactions.

### ***New Foreign Direct Product ("FDP") Rules Specific to Russia, and Belarus***

The Final Rule creates two new FDP rules specific to Russia, and the Belarus Final Rule adds Belarus to both of the new FDP Rules, named:

- the "Russia/Belarus FDP Rule;" and
- the "Russia/Belarus-MEU FDP Rule."

The new FDP rules are very technical, but will primarily impact non-US entities who source US content for further manufacture or incorporation into their products.

The new measures are designed to restrict the flow of wholly-foreign made items (with certain US content) to or within Russia and Belarus:

- The **Russia/Belarus FDP Rule** asserts BIS export licensing jurisdiction over items manufactured wholly outside of the United States, when the items are either: (1) the direct product of US-origin software or technology listed in any ECCN; or (2) manufactured by plants or major components of plants which are themselves the direct product of such software or technology. Such foreign produced items which would be classified as EAR99 are excluded. The Russia/Belarus FDP Rule applies to transactions in which the parties know, or have reason to know, a foreign-produced item meeting the above direct product criteria is ultimately destined for Russia or Belarus, or will be incorporated into or used for production/development of parts, components, or equipment that is ultimately destined for Russia or Belarus. These transactions will require a BIS license, and the applications will be subject to a policy of denial. This is a new use of controls on foreign-produced items, and it significantly expands US export control jurisdiction over items produced outside the United States.
- The newly introduced **Russia/Belarus MEU FDP Rule** expands the export licensing jurisdiction in a manner similar to the Russia/Belarus FDP Rule, as it renders certain items manufactured wholly outside of the United

States subject to the EAR for transactions involving Russian or Belarusian entities that have been assigned a footnote 3 designation on the Entity List ("**footnote 3 designated entities**"). Unlike the Russia/Belarus FDP Rule, the Russia/Belarus-MEU FDP Rule renders foreign produced items subject to the EAR when the items are either: (1) the direct product of US-origin software or technology listed in any ECCN; or (2) manufactured by plants or major components of plants which are themselves the direct product of such software or technology. Further, the Russia/Belarus-MEU FDP Rule does not exclude EAR99 items – which means it could ultimately capture a much broader group of products, including "humanitarian" items such as food and medicine. Further, the Russia/Belarus-MEU FDP Rule applies specifically in instances involving entities carrying the footnote 3 designation. Generally, if there is knowledge that the foreign produced item will be used or further incorporated by a footnote 3 designated entity, or even if a footnote 3 designated entity is otherwise a party to the transaction, the transaction will be subject to the new FDP restrictions – even if conducted wholly outside of the United States, with no US person or entity involvement.

The Russia/Belarus FDP Rule and Russia/Belarus-MEU FDP Rule impose license requirements to re-export, export from abroad, or transfer (in country) controlled items "*to any destination*" if known that the ultimate destination is Russia or Belarus or that there is the requisite involvement of a footnote 3 designated entity.

This is designed to address multi-country manufacturing processes, as the license requirements will apply to, for example, exports and re-exports from one manufacturing country to another so long as it is known that the item is ultimately destined for Russia/Belarus or to be "*incorporated into or used in the production or development of any part component or equipment. produced in or ultimately destined*" to Russia/Belarus.

A savings clause is included in both the Russia/Belarus FDP Rule and the Russia/Belarus-MEU FDP Rule, which made narrow exceptions for certain shipments of items already *en route* aboard a carrier to a port of export, re-export, or transfer (in country) by/on 26 March 2022.

### ***Exclusion of Certain Countries from the Expanded Licensing Requirements for Russia and Belarus***

Countries identified by BIS on the so-called "Russia and Belarus Exclusions List" under the EAR are carved out from certain of the expanded Russia and Belarus license requirements.

These are countries that BIS has determined "*are committed to implementing substantially similar export controls*" on Russia and Belarus, and notably include NATO countries and partner nations. Countries included on this list are excluded – in whole or in part – from the requirements under the new Russia/Belarus FDP rules (both the general and MEU FDP rule) and the expanded *de minimis* application to items controlled only for anti-terrorism (AT) reasons or for 9A991 items, which notably include certain aircraft and related parts and components.

## **Other Key Changes**

- ***Limitations on EAR License Exceptions for Russia and Belarus***

There are very narrow circumstances in which a license exception will overcome requirements imposed under the Russia Final Rule or Belarus Final Rule. Available license exceptions are restricted to only certain sections of the EAR Part 740 exceptions for Temporary Imports, Exports, Re-exports, and Transfers in Country (TMP); certain government activities (GOV); Technology and Software Unrestricted (TSU); Baggage (BAG); Aircraft, Vessels, and Spacecraft (AVS); Encryption Commodities, Software, and Technology (ENC); and Consumer Communication Devices (CCD).

Companies that have used license exceptions for shipments to Russia and Belarus in the past must review their licensing procedures and incorporate the new restrictions, as necessary.

- ***Policy of Denial for License Applications for Russia, Belarus, and Covered Regions of Ukraine***

Applications for the export, re-export, or transfer of items subject to the EAR that require a license for Russia or Belarus under either the Russia or Belarus Final Rule will now be subject to a review policy of denial, except for very limited circumstances.

Applications related to certain categories—safety of flight, maritime safety, civil nuclear safety, humanitarian needs, government space cooperation, applications from companies headquartered in partner countries to support civil telecommunications infrastructure, government-to-government activities, and to support limited operations of partner country companies in Russia/Belarus— will be reviewed on a case-by-case basis.

Effective 2 June 2022, BIS amended the licensing policy for applications to send items subject to the EAR to the Covered Regions of Ukraine to align with the policy for Russia and Belarus. Accordingly, BIS will review on a case-by-case basis for the Covered Regions of Ukraine the same categories of license applications specified for Russia and Belarus as subject to a case-by-case basis review.

- ***Country Group Changes***

The Russia Final Rule updates Russia's EAR Country Group designation, adding it to Country Group D:5.

Country Group D:5 are US arms embargoed countries. This change is intended to reflect Russia's identification by the Department of State as a country subject to an arms embargo, and it conforms the arms embargo-related restrictions in the EAR with the § 126.1 provisions of the US export regulations for defense and military items, the International Traffic in Arms Regulations ("ITAR") (22 CFR Parts 120– 130).

The Belarus Final Rule makes certain changes to Belarus' EAR Country Group designations. Most notably, Belarus was added to Country Groups D:2 (Nuclear) and D:4 (Missile Technology) to reflect that Belarus has been officially identified as a country of concern for nuclear proliferation and missile technology proliferation. Practically, these new designations result in increased licensing requirements and the restricted availability of license exceptions for exports and re-exports to Belarus.

## UK SANCTIONS

UK sanctions on Russia are set out in the Russia (Sanctions) (EU Exit) regulations 2019 (as amended) (the "**UK Russia Regulations**"), which apply within the UK and to UK citizens and UK incorporated entities anywhere in the world.

UK sanctions measures are also adopted in the British Overseas Territories (including Jersey/Guernsey/Isle of Man) and Crown Dependencies.

A consolidated version of the relevant UK Russia Regulations, which includes all amendments to date, is available [here](#). In the sections below, we provide an overview of some of the key provisions.

On 23 June 2022, [The Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 10\) Regulations 2022](#) came into force imposing a tranche of new trade sanctions on Russia, the details of which are outlined further below.

On 4 March 2022, the Office of Financial Sanctions Implementation ("**OFSI**") (which is the department within HM Treasury responsible for financial sanctions) published its updated '[Guidance for the financial and investment restrictions in Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#)'. The frequently asked questions part of the guidance has not yet been updated to reflect the 2022 amendment regulations.

On 4 May 2022, the UK Foreign Secretary [announced](#) an intended ban on UK services exports, including management consulting, accounting and public relations, to Russia. This has not yet been adopted in legislation but is expected shortly.

On 8 June 2022, the OFSI [published](#) amended enforcement and monetary penalties guidance for breaches of financial sanctions and an accompanying [blog](#) was written by Giles Thomson, the Director of OFSI.

The monetary penalty guidance has been updated to reflect OFSI's new powers to impose monetary penalties on a strict liability basis for civil breaches of financial sanctions under s.146(1A) of the Policing and Crime Act 2017, as [amended](#) by the Economic Crime (Transparency and Enforcement) Act 2022 in March. That legislative provision and OFSI's amended guidance came into force on 15 June 2022.

The change in the law means the previous requirement for OFSI to prove that a person had knowledge or reasonable cause to suspect that they were in breach of financial sanctions will be removed. OFSI has stated that when considering any breach of financial sanctions, it will nevertheless continue to act proportionately and will assess factors such as the severity of the breach, the expected knowledge of the person and their exposure to financial sanctions risk, due diligence efforts to prevent such breaches, and the importance of self-disclosure.

OFSI has also gained the power to publicise details of financial sanctions breaches committed after 15 June 2022 even where a monetary penalty has not been imposed.

### **Asset Freeze**

On 29 June 2022, the UK Government [added](#) five entities and eight individuals under the Russia financial sanctions regime and imposed asset freeze

restrictions on them. Amongst those sanctioned is [Vladimir Potanin](#), Russia's second richest man and owner of Rosbank and major conglomerate Interros.

On 30 June 2022, published a [General Licence](#) to permit the wind down of transactions involving Rosbank (and its subsidiaries), including the closing out of any positions, repayment of loans, withdrawal of deposits and closing of accounts. The General Licence took effect on 30 June 2022 and expires on 30 July 2022.

Since 24 February 2022, the UK Government has imposed an asset freeze on a number of individuals and entities, including various Russian banks and state-owned entities. This includes, but is not limited to, the following:

- Alfa Bank
- Exiar
- Bank Otkritie
- Bank Rossiya
- Credit Bank of Moscow
- Evraz plc
- GazpromBank
- PJSC Aeroflot
- Promsvyazbank
- Rosselkhozbank (Russian Agricultural Bank)
- Rostec
- Sberbank
- SMP Bank
- Sovcombank
- SovcomFlot
- Ural Bank for Reconstruction and Development
- Vnesheconombank (Veb)
- VTB Bank (VTB)

The full list is available online here:

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>

The asset freezing measures apply automatically to any non-designated entity where (in summary):

- a designated person holds directly or indirectly more than 50% of the shares in the entity;
- a designated person holds directly or indirectly more than 50% of the voting rights in the entity;
- a designated person holds the right directly or indirectly to appoint or remove a majority of the board of directors of the entity; or

- it is reasonable, having regard to all the circumstances, to expect that the designated person would (if it chose to) be able, in most cases or in significant respects, by whatever means and whether directly or indirectly, to achieve the result that the affairs of the entity are conducted in accordance with the designated person's wishes.

On 22 March 2022, OFSI updated its [general guidance](#) to clarify its position on aggregating ownership of non-designated entities by designated persons. The new paragraph 4.1.4 states that:

*"When making an assessment on ownership and control, OFSI would not simply aggregate different designated persons' holdings in a company, unless, for example, the shares or rights are subject to a joint arrangement between the designated parties or one party controls the rights of another. Consequently, if each of the designated person's holdings falls below the 50% threshold in respect of share ownership **and** there is no evidence of a joint arrangement or that the shares are held jointly, the company would not be directly or indirectly owned by a designated person."*

This contrasts with the position set out in FAQ guidance by the European Commission (see EU Sanctions section below).

OFSI has published a number of [General Licences](#) in relation to some of these designations, including in relation to a wind down of existing transactions in relation to some of the designated entities and their subsidiaries (a full list is here <https://www.gov.uk/government/collections/ofsi-general-licences>).

On 10 June 2022, OFSI issued General Licence [INT/2022/1919908](#) relating to the payment and processing of retail banking funds of non-designated third parties involving designated credit or financial institutions, subject to a condition that the total value of such payments does not exceed £50,000. The General Licence takes effect from 10 June 2022 and is due to expire on 10 September 2022.

### ***Dealing with transferable securities or money-market instruments***

In addition to the existing restrictions that have been in place since 2014 on dealing in transferable securities or money-market instruments issued by specified Russian entities or their non-UK subsidiaries with a maturity over 30 days, the UK has expanded these restrictions as follows:

- it is prohibited to deal with transferable securities or money-market instruments issued after 1 March 2022 by UK subsidiaries of the listed Russian entities, removing the previous exemption for transferable securities or money-market instruments issued by UK subsidiaries;
- it is prohibited to deal in transferable securities or money-market instruments issued after 1 March by:
  - any individual ordinarily resident or located in Russia;
  - any entity domiciled in Russia;
  - any entity incorporated or constituted in Russia (except where that entity is domiciled outside of Russia);
  - any entity which is a branch or subsidiary of an entity incorporated or constituted in Russia (except where the entity or the parent entity is domiciled outside of Russia); or



- any entity which is owned by or acting on behalf of any of the above;  
and
- it is prohibited to deal with transferable securities or money-market instruments issued after 1 March by or on behalf of the Government of Russia.

### ***Loans and Credit Arrangements***

In addition to the existing restrictions that have been in place since 2014 on making or granting a new loan or credit to any of the specified Russian entities or their non-UK subsidiaries with a maturity over 30 days, the UK has expanded these restrictions as follows:

- it is prohibited to make or grant, or enter into an arrangement to make or grant, a new loan or credit with a maturity of more than 30 days available after 1 March 2022 to UK subsidiaries of the previously listed Russian entities, removing the previous exemption for new loans made or granted to and credit arrangements entered into with UK subsidiaries;
- it is now prohibited to make or grant, or enter into an arrangement to make or grant, a new loan or credit with a maturity of more than 30 days available after 1 March 2022 to:
  - any entity domiciled in Russia;
  - any entity incorporated or constituted in Russia (except where that entity is domiciled outside of Russia);
  - any entity which is a branch or subsidiary of an entity incorporated or constituted in Russia (except where the entity or the parent entity is domiciled outside of Russia); or
  - any entity which is owned by or acting on behalf of any of the above;  
and
- it is now also prohibited to make or grant, or enter into an arrangement to make or grant, a new loan or credit (of any maturity) after 1 March 2022 to the Government of Russia.

### ***Correspondent Banking Relationships***

UK credit and financial institutions are prohibited from establishing or continuing a correspondent banking relationship with designated persons or their subsidiaries. This includes the provision of banking services by a correspondent to a respondent including providing a current or other liability account and related services, such as cash management, international funds transfers, cheque clearing, providing customers of the respondent with direct access to accounts with the correspondent (and *vice versa*) and providing foreign exchange services.

UK credit and financial institutions are also prohibited from processing (*i.e.*, clearing or settling) a sterling payment to, from or via a designated person or its subsidiaries. There is an exception for processing a sterling payment for any fee or charge required to permit an aircraft to overfly, land in or take off from Russia.

For these purposes, the UK specifically [designated Sberbank](#). As of 6 April 2022, Sberbank is also subject to a broader asset freeze designation.

On 1 March 2022, OFSI published General Licence [INT/2022/1277877](#), which authorised a UK credit or financial institution to continue to process sterling payments to, from or via Sberbank for the purpose of making Relevant Energy Products available for use in the United Kingdom, until 24 June 2022. Relevant Energy products include certain (1) Crude Oil; (2) Petroleum Products; and (3) Gas. **The General Licence has now expired.**

### ***Financial services for the purpose of foreign exchange reserve and asset management to the Central Bank of Russia***

Regulation 18A of the UK Russia Sanctions Regulations includes a prohibition on providing financial services to any of the following persons where those services are for the purpose of foreign exchange reserve and asset management:

- 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.

The term "foreign exchange reserve and asset management" means activities relating to the following reserves or assets:

- money-market instruments (including cheques, bills and certificates of deposit);
- foreign exchange;
- derivative products (including futures and options);
- exchange rate and interest rate instruments (including products such as swaps and forward rate agreements);
- transferable securities;
- other negotiable instruments and financial assets (including bullion); and
- special drawing rights.

On 1 April 2022, OFSI issued General Licence [INT/2022/1495176](#) to authorise the provision of financial services for the purposes of the receipt and onward transfer of non-rouble denominated interest/coupon or maturity/principal payments from the Russian Federation institutions listed above in connection with debt issued by them before 1 March 2022. The licence took effect from 1 April 2022 and expires on 30 June 2022.

### ***Trade Restrictions – Exports to Russia etc.***

The UK Russia Regulations include a restriction on the export, supply, delivery or making available of certain items to or for use in Russia or to a person connected with Russia.

On 23 June 2022, [The Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 10\) Regulations 2022](#) came into force, expanding the items which are subject to

controls on export, supply and delivery, making available and transferring to a person connected with Russia or to or for use in Russia.

The relevant items to which the controls now apply under the UK Russia Regulations include:

- critical-industry goods and technology as listed in [Schedule 2A](#) (now amended with additional listed items – see [here](#));
- dual-use goods and technology as listed in [Council Regulation \(EC\) No 428/2009](#) of 5 May 2009;
- military goods as listed in [Schedule 2](#) to the Export Control Order 2008;
- aviation and space goods as listed in [Schedule 2C](#);
- oil refining goods and technology as listed in [Schedule 2D](#) of the UK Russia Regulations (now amended with additional listed items);
- quantum computing and advanced materials goods and technology as listed in [Schedule 2D](#);
- energy-related goods as listed in Part 2 of [Schedule 3](#) (now amended with additional listed items);
- luxury goods as listed in [Schedule 3A](#);
- interception and monitoring goods and technology as listed in Part 2 of [Schedule 3C](#);
- internal repression goods and technology as listed in Part 3 of [Schedule 3C](#);
- goods and technology relating to chemical and biological weapons as listed in Part 4 of [Schedule 3C](#);
- jet fuel and fuel additives as listed in [Part 8 of Schedule 2A](#); and
- sterling or EU member state denominated banknotes.

With the exception of the restrictions in relation to Luxury Goods and banknotes, there is also an express prohibition on the provision of technical assistance, financial services or funds or brokering services relating to these items to a person connected with Russia or for use in Russia

These lists are broad. For example, the list of critical-industry goods and technology in Schedule 2A includes an extensive range of items used across multiple industries, including items under the following headings (this is not exhaustive):

- Electronic devices and components including general purpose electronic equipment;
- Computers, “electronic assemblies” and related equipment, and specially designed components therefor;
- Telecommunication equipment;
- “Information security” systems, equipment and components;
- Sensors and lasers;
- Navigation direction finding equipment, airborne communication equipment, all aircraft inertial navigation systems, and other avionics equipment, including components;

- Vessels, marine systems or equipment, and specially designed components therefor, and marine boilers and components therefor;
- Diesel engines and tractor units, and specially designed components therefor

There are some exceptions to these restrictions. For example:

- the prohibitions are not contravened by activity in relation to critical-industry goods which are— (1) the personal effects of a person travelling to Russia, (2) of a non-commercial nature for the personal use of a person travelling to Russia and contained in that person's luggage, or (3) necessary for the official purposes of a diplomatic mission or consular post in Russia, or of an international organisation enjoying immunities in accordance with international law.
- the prohibitions are also not contravened by a relevant activity in relation to consumer communication devices for civilian use, or software updates for civilian use.
- On 8 April 2022, a new UK Department for International Trade [general trade licence](#) authorises the export, supply or delivery, making available, transfer, provision of technical assistance, provision of financial services or funds, or provision of brokering services in respect of the following items (as well as the provision of insurance and reinsurance services relating to aviation goods or aviation technology):
  - vessels and their component parts;
  - aircraft and their component parts; and
  - aero gas turbine engines and specially designed components therefor.

The General Licence applies specifically in relation to vessels or aircraft moving under their own power to/from or transiting Russia and not for the purpose of a transfer of ownership or operator, and (in the case of an aircraft) if it is carrying goods or passengers when removed or it is removed in order to undertake a journey carrying goods or passengers. Any person seeking to rely on the licence is required to register online within 30 days of their first use of the licence.

On 21 June 2022, OFSI updated its [guidance](#) on regulation 29A of the UK Russia Regulations, which prohibits the provision of insurance and reinsurance services relating to aviation and space goods and technology to a person/entity connected with Russia or for use in Russia.

OFSI has clarified that:

*"[The prohibition] would not apply where the insurance is for the benefit of the non-Russian owner of the items, rather than their user or operator. Nor does it apply where the items either remain in Russia as the result of the termination of a lease and against the lessor's will; or are being flown out of Russia in the process of returning them to their owner."*

### **Import Restrictions**

The UK Russia Regulations include a prohibition on the import of arms and related material, as well as iron and steel products which are consigned from Russia; as well as a prohibition on the acquisition, directly or indirectly, of iron and steel products which originate in Russia or which are located in Russia;

and the supply or delivery, directly or indirectly, of iron and steel products from a place in Russia to a third country.

The controlled iron and steel products are listed in [Schedule 3B](#) of the UK Russia Regulations. There is now also a prohibition on the provision of technical assistance, and financial services, funds, and brokering services relating to prohibited iron and steel imports.

**There is also a prohibition** on the import, acquisition or supply and delivery of "revenue generating goods" as listed in [Schedule 3D](#) which originate from or are located in Russia, as well as a prohibition on the provision of related technical assistance, financial services, funds, and brokering services. The list of "revenue generating goods" includes a number of items ranging from various types of chemicals and fertilisers to shellfish and caviar. The prohibitions do not apply to, or in relation to, revenue generating goods which are consigned from Russia before 23 June 2022 and imported into the United Kingdom before 10 July 2022.

On 26 June 2022, the UK Government [announced](#) its intention to ban the import of Russian gold to the UK. Gold is a major Russian export, worth £12.6 billion to the Russian economy in 2021 and London is a major global gold trading hub.

The gold import ban is expected to come into force shortly, and will apply to newly mined or refined gold. It does not impact Russian-origin gold previously exported from Russia. There are no plans to extend restrictions to Russian gold purchased legitimately before the import ban was put in place.

### ***Maritime - Ports and Shipping***

Regulation 57A of the UK Russia Sanctions Regulations prohibits UK port access being granted to any ship owned, controlled, chartered or operated by persons connected with Russia or which is flying the flag of Russia, or which is registered in Russia.

The Regulations provide the government with a power to control the movement of Russian ships or specified ships by requiring them to leave or enter specified ports, proceed to a specified place or remain where they are.

The Regulations also confer powers on the government and harbour authorities to detain Russian ships or specified ships at ports or anchorages.

Registration of ships on the UK Ship Register is prohibited where they are owned, controlled, chartered or operated by a designated person or persons connected with Russia, or where they are a specified ship.

The Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations 2022 also prohibit the provision to, or for the benefit of, a designated person of technical assistance relating to Russian ships or specified ships.

There is also a prohibition on the export, supply or delivery of maritime goods and technology (as specified in Chapter 4 (Navigation Equipment) and Chapter 5 (Radio-Communication Equipment) of Annex 1 of [Merchant Shipping Notice 1874](#) for placing on board a Russian-flagged vessel).

### ***Import Tariffs***

On 25 March 2022, additional customs duties on a number of goods originating in Russia and Belarus came into force. The products requiring additional duties when imported from Russia and Belarus are listed [here](#). The

UK Government has also announced its intention to introduce additional duties on imports of fish from Russia and Belarus. This measure will follow in due course, subject to further work on the specific implications for the sector.

On 8 May 2022, the UK Government [announced](#) its intention to implement a new package of sanctions on Russia and Belarus targeting £1.7 billion worth of trade. The new import tariffs will cover goods including platinum and palladium, whilst the planned export bans are intended to target materials such as chemicals, plastics, rubber, and machinery.

### ***Crimea, Donetsk and Luhansk***

The UK Russia Sanctions Regulations include broad restrictions on finance and investments in, and trade relating to the Autonomous Republic of Crimea and city of Sevastopol as well as the non-government controlled areas of the Donetsk oblast and Luhansk oblast of Ukraine.

The restrictions include prohibitions relating to:

- investments in the non-government controlled Ukrainian territory
- the import of goods which originate in non-government controlled Ukrainian territory;
- the export, making available, supply, or delivery and making available of military goods or infrastructure-related goods to a person connected with, or for use in, non-government controlled Ukrainian territory;
- the provision of technical assistance, brokering services, financial services and funds related to military goods or infrastructure-related goods to a person connected with, or for use in, non-government controlled Ukrainian territory; and
- providing certain services relating to a relevant infrastructure sector, and tourism, in non-government controlled Ukrainian territory.

### ***Interception and Monitoring Services***

The UK Russia Regulations include a prohibition on the provision of "interception and monitoring services" (i.e., any service that has as its object or effect the interception of a communication in the course of its transmission by means of a telecommunication system) to or for the benefit of, the Government of Russia.

### ***Other Sanctions Legislation***

On 25 February 2022, the Air Navigation (Restriction of Flying) (Russian Aircraft) Regulations 2022 were enacted. These Regulations provide that no aircraft on a scheduled service which is owned, chartered or operated by a person connected with Russia, or which is registered in Russia shall fly in United Kingdom airspace, including in the airspace above the United Kingdom's territorial sea, without a licence.

The Economic Crime (Transparency and Enforcement) Act 2022:

- sets up a requirement for overseas entities who own land to register their beneficial owners in certain circumstances;
- broadens the scope of unexplained wealth orders;
- removes the requirement for OFSI to pay attention to whether a person knew or had reasonable grounds to suspect they were committing a

breach of UK sanctions when determining whether to impose a monetary penalty; and

- enables OFSI to publish the names of parties who breach financial sanctions even if no penalty is imposed.

On 17 March 2022, the UK Government [announced](#) that it is suspending the exchange and sharing of tax information with Russia and Belarus. The tax information is exchanged as part of global collaboration to address tax compliance risks.

Following the previous instruction of the UK Government, on 18 March 2022 the UK media regulator Ofcom [concluded its investigation](#) of RT (Russia Today) for potential breaches of its broadcasting code. The watchdog used its power to revoke RT's broadcast licence "*with immediate effect.*"

### **Further Sanctions**

The UK Government has previously announced that further sanctions will be adopted as follows:

- sanctions that will limit the amount of deposits Russian citizens (expected to be non-residents or nationals of the UK) can make in UK bank accounts (above £50,000). We expect this may be similar to the EU sanctions described below; and
- on 8 March 2022, the UK Government [announced](#) that "*[t]he UK will phase out imports of Russian oil ... by the end of the year.*"

## **EU SANCTIONS**

EU sanctions on Russia are set out in Council Regulation 833/2014 and 269/2014. These sanctions apply to conduct in the EU and to all EU nationals and EU-incorporated entities wherever in the world.

The European Commission has issued [Frequently Asked Questions](#) on several aspects of the new sanctions related to Russia and Belarus, the main aspects of which are summarised below. In addition to separate FAQs on the different topics, the European Commission has also issued a consolidated version of all FAQs issued to date. These FAQs continue to be updated on an almost daily basis.

In its [Frequently Asked Questions](#), the European Commission, *inter alia*, confirms, that EU sanctions do not apply to non-EU companies or non-EU individuals that do business entirely outside the EU. However, the European Commission states that, for example, if a non-EU entity "*imports products via the Union or carries out payments in the Union, then it has to comply with EU sanctions as it is entering the EU internal market.*"

### **Asset Freeze**

Council Regulation 269/2014 (as amended) imposes an asset freeze on a number of individuals and entities, including (**but not limited to**) the following:

- VEB.RF (a.k.a Vnesheconombank)
- VTB Bank
- Otkritie FC Bank
- Novikombank
- Sovcombank
- Bank Rossiya
- Promsvyazbank
- Internet Research Agency
- Gas Industry Insurance Company SOGAZ
- Rosneft Aero
- Rosoboronexport
- NPO High Precision Systems
- Kurganmashzavod
- Russian Helicopters
- United Aircraft Corporation
- United Shipbuilding Corporation
- Research and Production Corporation Uralvagonzavod
- Zelenodolsk Shipyard [A.M. Gorky Zelenodolsk Plant]
- JSC Arzamas Machine-Building Plant
- JSC Ruselectronics
- JSC Tactical Missiles Corporation



- JSC Kalashnikov Concern
- JSC UEC Klimov
- LLC Military Industrial Company
- PO More Shipyard
- JSC Omsk Transport Machine
- JSC Russian Machines
- JSC Sozvezdie Concern
- JSC Research and Industrial Concern "Machine Engineering Technologies" – JSC RIC TECMASH
- PJSC United Engine Corporation
- Yantar Shipyard
- JSC GTLK (State Transport Leasing Company)
- JSC OBORONENERGO
- Independent Insurance Group
- PJSC KAMAZ
- JSC SUKHOI Company
- National Settlement Depository (NSD)
- 336 individuals involved in the Russian government's decision to recognise the DNR and LNR regions (members of the Russian State Duma);
- 48 individuals accused of supporting, implementing or benefiting from actions that undermine the territorial integrity, sovereignty, independence and stability of Ukraine (including, *inter alia*, members of the management and supervisory bodies of VEB.RF, VTB Bank, Promsvyazbank, Rosneft and Transneft and shareholders of Alfa Bank);
- 99 individuals, including members of the Russian National Security Council accused of having supported Russia's recognition of the DNR and LNR regions or of having facilitated Russia's military action from Belarus, as well as additional members of the Russian State Duma who ratified the government's decisions of the "Treaty of Friendship, Cooperation and Mutual Assistance" between Russia and the DNR and LNR regions. These designations include Russia's President Vladimir Putin and Russia's Minister of Foreign Affairs Sergey Lavrov;
- 160 individuals, including 14 "*oligarchs and prominent businesspeople*" as well as their family members and 146 members of the Russian Federal Council who ratified the government decisions of the "Treaty of Friendship, Cooperation and Mutual Assistance" between Russia and the DNR and LNR regions;
- 15 additional individuals, including, *inter alia*, individuals accused of being involved in economic sectors providing a substantial source of revenue to the Russian government (including, *inter alia*, the owner of Nafta Moscow, shareholders of Alfa Bank and Evraz and a member of the management of EuroChem Group AG); and

- 216 additional individuals, including, *inter alia*, members of the so-called "People's Councils" of the DNR and LNR regions, the owner of the Russian Machines industrial conglomerate, the CEO of Sberbank, the Director General of Surgutneftegas, the "majority shareholder" in Gazprom Drilling, the co-owner of SGM group, the Chairman of the Board of Directors of ESN Group, the Chairman of the Alliance Group, the co-owner of Industrial Metallurgical Holding (PMH), the owner of OOO Vector and Trans Stroy, the owner of the Mercury Group, a member of the management board of Sibur Holding PJSC, a "large shareholder" in Acron Group, the President of United Aircraft Corporation and several individuals associated with previously designated individuals (in particular family members);
- 2 additional individuals, including the founder of Concord group;
- 65 additional individuals, including, *inter alia*, the wife of Alexey Mordashov (who, according to the listing, was *inter alia* transferred shares in TUI and Nordgold by her husband), the wife of Andrey Melnichenko (who, according to the listing, "replaced her husband as the beneficial owner of Firstline Trust, managed by Linetrust PTC Ltd, a company which represents the ultimate owner of EuroChem Group"), the owner of Independent Oil and Gas Company (NOC, JSC Neftegazholding), the founder and CEO of Yandex and members of the Russian military forces.

With respect to the designation of Bank Rossiya, Promsvyazbank and VEB.RF, the EU introduced the ability for EU Member States to authorise the release of frozen funds or economic resources belonging to those 3 banks or the making available of funds or economic resources to them, if this is necessary for the termination by 24 August 2022 of operations, contracts, or other agreements, including correspondent banking relations, concluded with those banks before 23 February 2022.

With respect to the designation of VTB Bank, Otkritie FC Bank, Novikombank and Sovcombank, the EU adopted Council Regulation (EU) No. 2022/580 of 8 April 2022 introducing the ability for EU Member States to authorise the release of frozen funds or economic resources belonging to those 4 banks or the making available of funds or economic resources to them, if this is necessary for the termination by 9 October 2022 of operations, contracts, or other agreements, including correspondent banking relations, concluded with those banks before 8 April 2022.

Furthermore, by Council Regulation (EU) No. 2022/580 of 8 April 2022, the EU introduced the ability for EU Member States to authorise the release of certain frozen funds or economic resources, or the making available of certain funds or economic resources to designated persons if (1) this is necessary for the sale and transfer by 9 October 2022 of proprietary rights in a legal person, entity or body established in the EU where those proprietary rights are directly or indirectly owned by a designated person and (2) the proceeds of such sale and transfer remain frozen.

By Council Regulation (EU) No. 2022/625 of 13 April 2022, the EU introduced a specific exception for certain humanitarian organisations and agencies with respect to transactions necessary for exclusively humanitarian purposes in Ukraine. In addition, the EU introduced a specific ability for EU Member States to authorise other transactions necessary for exclusively humanitarian purposes in Ukraine.

By Council Regulation (EU) No. 2022/880 of 3 June 2022, the EU introduced a specific exception with respect to funds and economic resources which are strictly necessary for the provision of electronic communication services by EU telecommunication operators, for the provision of associated facilities and services necessary for the operation, maintenance and security of such electronic communication services, in Russia, in Ukraine, in the EU, between Russia and the EU, and between Ukraine and the EU, and for data centre services in the EU.

In its [Frequently Asked Questions](#), the European Commission has stated that there is a presumption that if non-designated entities are owned or controlled by designated persons, their assets must be frozen and no funds or economic resources can be made available to them. The European Commission guidance states that this presumption can be rebutted on a case-by-case basis by the entity concerned, *"if it can be demonstrated that some or all of its assets are outside the control of the listed person, and/or that funds or economic resources made available to it would in fact not reach the listed person."*

By contrast, in its (German-language) [Frequently Asked Questions](#), the German Central Bank (*Bundesbank*) has said it takes the view that if a non-designated company with its own legal personality is majority-owned by a designated person, (as translated) *"this does not as a rule mean that the company's funds and economic resources are subject to the asset freeze."* According to the German Central Bank, the restriction would only apply to funds and economic resources of a non-designated person if they are in fact *"held"* or *"controlled"* by a designated person; the mere fact that a designated person or entity has influence over the management of a non-designated person or entity through its (majority) ownership is not sufficient to presume that all of its assets are controlled (and frozen). According to the German Central Bank, this is particularly the case in relation to non-designated entities in the EU, as the management of such companies is also subject to EU law. In relation to non-designated entities established outside of the EU, according to the German Central Bank, the existence of a control relationship (as translated) *"should be examined particularly thoroughly."* In addition, with respect to the prohibition on making funds or economic resources (indirectly) available to designated persons, the German Central Bank states that (as translated) *"it cannot be assumed without further ado that a payment of funds to the non-designated entity is an indirect provision of funds to the benefit of the designated person,"* but that *"the decisive factor is whether it is to be feared that there will be a forwarding of funds received by the non-designated entity to the designated person."* According to the German Central Bank, if the non-designated entity is an EU entity required to comply with applicable EU law itself, (as translated) *"unless the circumstances of the individual case indicate otherwise, weighty aspects speak against onward transmission (and thus against an indirect prohibition of making available funds and economic resources)."* However, if the non-designated entity owned or controlled by a designated person is a non-EU entity, the German Central Bank takes the view that (as translated) *"as a rule, payments may no longer be made to this entity, because it is to be feared that these payments would indirectly benefit a designated person (prohibited indirect provision of funds)."*

In its [Frequently Asked Questions](#), the European Commission, *inter alia*, states that in determining whether an entity is more than 50% owned by designated persons, *"one should take into account the aggregated ownership*

*of the entity," i.e. shareholdings of several designated persons need to be aggregated. If the aggregated shareholdings of designated persons exceed 50%, the entity should be considered as "owned by listed persons." This is a new interpretation by the European Commission and contrasts directly with the position in the UK, outlined above.*

By contrast, in their German-language Frequently Asked Questions, the [German Federal Ministry for Economic Affairs and Climate Action](#) and the [German Central Bank \(Bundesbank\)](#) take the view that, in principle, shareholdings of several designated persons are not to be aggregated when determining ownership or control. However, according to the German authorities, (as translated) "*an aggregation of the ownership interests of EU designated persons in the same entity can be required in individual cases if there are concrete indications that several EU designated persons are acting together in exercising the shareholder rights resulting from the respective ownership positions.*"

The [Frequently Asked Questions](#) of the European Commission also confirm previously expressed views in various Commission Opinions, including that EU banks are required to freeze payments received from designated banks. In addition, the European Commission points out that intellectual property rights qualify as economic resources and that, in its view, working for an entity owned or controlled by a designated person or entity can be considered as making economic resources indirectly available to the designated person or entity insofar as this labour enables the designated person or entity to obtain funds, goods, or services.

Furthermore, in its [Frequently Asked Questions](#), the European Commission addresses situations where assets of a designated person were transferred to a non-designated third person (e.g. a family member) before the designation took effect. The European Commission states that, in situations involving third persons (and possible family ties), in addition to the criteria on control set out in previous EU guidance, other elements could also be taken into account, such as the closeness of business and family ties between the designated person and the third person, the professional independence of the third person now owning the assets, previous gifts given to the third person and how they compare to the transaction in question, the frequency/regularity of previous gifts to the third person, the content of formal agreements between the designated person and the third person, the nature of the assets (e.g. whether these are shares in a company owned or controlled by the designated person).

Finally the [Frequently Asked Questions](#) now clarify previously inconsistent guidance on whether securities held by non-designated persons which were previously issued by designated persons need to be frozen and cannot be traded. The guidance now confirms that such securities do not need to be frozen and can be freely traded with non-designated persons.

In its [Frequently Asked Questions](#), the European Commission also addresses implications of imposed asset freeze sanctions on obligations under, and interactions in view of, Regulation (EC) No. 1907/2006 (REACH Regulation). *Inter alia*, it states in this context that also "*property rights over data and vertebrate or non-vertebrate studies qualify as economic resources.*" In addition, where registrants are EU designated persons, according to the European Commission, EU operators are not permitted to comply with

mandatory data sharing obligations under the REACH Regulation unless an exception applies, or a licence is obtained.

The [Frequently Asked Questions](#) include guidance on other topics including the EU's expectations on due diligence in relation to the issues of ownership and control as outlined above.

### ***Transactions with certain Russian state-owned entities***

By Council Regulation (EU) No. 2022/428 of 15 March 2022, the EU introduced a prohibition on directly or indirectly engaging in "any transactions" with (1) the following 12 listed Russian state-owned entities, (2) any entity or body established outside the EU directly or indirectly more than 50% owned by one of these 12 listed entities, or (3) any entity or body acting on behalf or at the direction of any of these entities or bodies:

- OPK Oboronprom
- United Aircraft Corporation
- Uralvagonzavod
- Rosneft
- Transneft
- Gazprom Neft
- Almaz-Antey
- Kamaz
- Rostec (Russian Technologies State Corporation)
- JSC Po Sevmash
- Sovcomflot
- United Shipbuilding Corporation

Exceptions apply with respect to (1) the reception of payments due by the aforementioned entities pursuant to contracts performed before 15 May 2022, (2) transactions which are strictly necessary for the direct or indirect purchase, import or transport of natural gas and oil, including refined petroleum products, as well as titanium, aluminium, copper, nickel, palladium and iron ore from or through Russia into the EU, a country member of the European Economic Area, Switzerland, or the Western Balkans (unless such activities are otherwise prohibited under Council Regulation (EU) No. 833/2014, as amended), (3) transactions related to energy projects outside Russia in which the Russian state-owned or state-controlled entities listed above are a minority shareholder, (4) transactions, including sales, which are strictly necessary for the wind-down, by 5 September 2022, of a joint venture or similar legal arrangement concluded before 16 March 2022, involving the aforementioned entities, (5) transactions related to the provision of electronic communication services, data center services, and the provision of services and equipment necessary for their operation, maintenance, security, including the provision of firewalls, and call center services, to the Russian state-owned or state-controlled entities listed above and (6) transactions for the purchase, import or transport into the EU of certain listed coal and other solid fossil fuels until 10 August 2022. With respect to the exception for transactions for the purchase *etc.* of certain listed coal and other solid fossil fuels, the European

Commission states in its [Frequently Asked Questions](#), that this exception should be read in conjunction with the wind-down period provided for in relation to the prohibition on the import of coal (see below). Against that background, the European Commission states that transactions for the purchase *etc.* of certain listed coal and other solid fossil fuels "*are possible until 10th August 2022 only for contracts concluded before 9 April 2022.*"

Furthermore, an exception applied to the execution until 15 May 2022 of contracts concluded before 16 March 2022 (or ancillary contracts necessary for the execution of such contracts).

In its [Frequently Asked Questions](#), the European Commission states that the prohibition applies to (i) the conclusion of new contracts with the specified entities after 16 March 2022, (ii) the execution of existing contracts with the specified entities after 15 May 2022 and (iii) "*the provision of any sort of economically valuable benefit (such as services or payments), even in the absence of such contractual relationship.*"

In addition, the European Commission also addresses implications on obligations under, and interactions in view of, Regulation (EC) No. 1907/2006 (REACH Regulation). *Inter alia*, it states that EU operators are principally not permitted to comply with mandatory data sharing obligations under the REACH Regulation if the potential registrant falls within the list of the aforementioned entities.

In its (German-language) [Frequently Asked Questions](#), the German Federal Office for Economic Affairs and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*, "BAFA") takes the view, *inter alia*, that EU subsidiaries of the listed Russian state-owned or state-controlled entities do not fall within the scope of the prohibition. BAFA argues that, with respect to subsidiaries, the scope of application is limited to non-EU subsidiaries and that the mentioning of entities acting on behalf or at the direction of the listed entities or their non-EU subsidiaries only refers to "*other entities that are not in an affiliated group with the listed entities.*" So far, the European Commission has not taken a similar view in its guidance.

### **Specialised financial messaging services (such as SWIFT)**

The EU introduced an exclusion of certain listed Russian banks from the SWIFT messaging system. Precisely, the EU introduced a prohibition on providing specialised financial messaging services, which are used to exchange financial data, to the following banks or to any legal person, entity or body established in Russia whose proprietary rights are directly or indirectly owned for more than 50% by these banks:

- Bank Otkritie (as of 12 March 2022)
- Novikombank (as of 12 March 2022)
- Promsvyazbank (as of 12 March 2022)
- Bank Rossiya (as of 12 March 2022)
- Sovcombank (as of 12 March 2022)
- Vnesheconombank (VEB) (as of 12 March 2022)
- VTB Bank (as of 12 March 2022)

- Sberbank (as of 14 June 2022)
- Credit Bank of Moscow (as of 14 June 2022)
- Joint Stock Company Russian Agricultural Bank, JSC Rosselkhozbank (as of 14 June 2022)

In addition, the EU introduced the same prohibition with respect to the following Belarusian banks or any legal person, entity or body established in Belarus whose proprietary rights are directly or indirectly owned for more than 50% by these banks:

- Belagroprombank (as of 20 March 2022)
- Bank Dabrabyt (as of 20 March 2022)
- Development Bank of Belarus (as of 20 March 2022)
- Belinvestbank (Belarusian Bank for Development and Reconstruction) (as of 14 June 2022)

There is no exception or possibility for EU Member State authorities to grant authorisations for relevant services.

### **Financial and Capital Markets Restrictions**

Council Regulation (EU) No. 2022/262 of 23 February 2022 amended existing sanctions in Council Regulation (EU) No. 833/2014 (imposing so-called sectoral sanctions) as follows:

- a prohibition on purchasing, selling or otherwise dealing with transferable securities and money-market instruments issued after 9 March 2022 by (1) Russia and its government, (2) the Russian Central Bank or (3) entities / bodies acting on behalf / at the direction of the Russian Central Bank; and
- a prohibition on making / being part of arrangements to make any new loans or credit after 23 February 2022 to (1) Russia and its government, (2) the Russian Central Bank or (3) entities / bodies acting on behalf / at the direction of the Russian Central Bank (without any maturity limits for loans / credit applying in this context).

In this context, in its [Frequently Asked Questions](#), the European Commission states that EU sanctions principally do "*not impose any impediments to receive income payments, dividend payments or principal repayments of existing securities from Russian issuers,*" such as coupon payments by the Russian state on its Eurobonds.

In addition, on 25 February 2022, by Council Regulation (EU) No. 2022/328 the EU significantly extended the existing sanctions relating to the financial sector. In particular:

- in addition to the existing sectoral sanctions applying to Sberbank, VTB Bank, Gazprombank, Vnesheconombank (VEB) and Rosselkhozbank, OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom Neft, it is now prohibited to purchase, sell, provide investment services for or assistance in the issuance of, or otherwise deal with any transferable securities and money-market instruments issued by those entities (or by non-EU entities more than 50% owned by them or by entities acting on their behalf / at their direction) after 12 April 2022 (without any maturity threshold applying).

- the same prohibition applies to the following entities (and to non-EU entities more than 50% owned by them and to entities acting on their behalf / at their direction):
  - Alfa Bank
  - Bank Otkritie
  - Bank Rossiya
  - Promsvyazbank
  - Almaz-Antey
  - Kamaz
  - Novorossiysk Commercial Sea Port
  - Rostec (Russian Technologies and State Corporation)
  - Russian Railways
  - JSC PO Sevmash
  - Sovcomflot
  - United Shipbuilding Corporation
  - Russian Maritime Register of Shipping (added to the list by Regulation (EU) 2022/394 of 9 March 2022)
- there is also a new prohibition on making or being part of any arrangement to make a new loan or credit to any of the aforementioned entities (or to non-EU entities more than 50% owned by them or entities acting on their behalf / at their direction) – again without any maturity threshold applying. This restriction applies as of 26 February 2022.

Certain exceptions apply, such as under certain circumstances, with respect to loans intended for providing emergency funding for EU entities more than 50% owned by Sberbank, VTB Bank, Gazprombank, VEB or Rosselkhozbank.

In its [Frequently Asked Questions](#), the European Commission confirms, *inter alia*, that the prohibition on dealing with transferable securities also applies in relation to derivative products where the underlying securities fall within the scope of the prohibition. Furthermore, the European Commission states that none of the affected shares issued after the relevant dates may be traded *via* multi-asset products such as ETFs.

Further, the new sanctions introduce the following additional prohibitions related 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.

In its [Frequently Asked Questions](#), the European Commission clarifies that trading venues can no longer list and provide services in relation to transferable securities of any legal person, entity or body established in Russia and with over 50% public ownership as of 12 April 2022, irrespective of their date of issuance. Furthermore, the European Commission states, *inter alia*, that the prohibition "does not require EU benchmark administrators to withdraw or exclude securities from their indices," but that, nonetheless, "product manufacturers making available



*products tracking such benchmarks will be subject to restrictions on the underlying securities which are themselves subject to sanctions," so that "benchmark administrators should adapt their benchmark compositions accordingly."*

- a prohibition on EU central securities depositories ("CSDs") providing relevant services (core services, non-banking-type ancillary services and banking-type ancillary services as defined in the Annex of Council 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. The prohibition does not apply to nationals of an EU Member State or natural persons having a temporary or permanent residence permit in an EU Member State.

In its [Frequently Asked Questions](#), the European Commission confirmed, *inter alia*, that this provision applies to relevant services provided to any Russian national or natural person residing in Russia or any legal person, entity or body established in Russia in relation to transferable securities issued after 12 April 2022. In addition, the European Commission states that, where securities accounts opened with the CSDs do not identify the underlying clients but only the custodian, the CSDs "shall use all relevant information that is available to them to ensure they can identify whether the underlying clients are Russian nationals or natural persons residing in Russia or legal persons, entities or bodies established in Russia" and that, "to the extent possible, CSDs shall also cooperate with their participants in that respect."

- a prohibition on selling transferable securities denominated in any official currency of an EU Member State issued after 12 April 2022 or units in collective investment undertakings providing exposure to such securities, to any Russian national or natural person residing in Russia or any entity established in Russia. The prohibition does not apply to nationals of, or to natural persons having a temporary or permanent residence permit in, an EU Member State, a country member of the European Economic Area or Switzerland.

In its [Frequently Asked Questions](#), the European Commission states that this prohibition does not apply in principal to an entity owned by Russian citizens but registered in a country other than Russia. However, in this context the European Commission explicitly states that the prohibition "should be read in conjunction with Article 12 which prohibits EU operators from knowingly and intentionally circumventing the measures in the Regulation," which is why "EU operators should (...) exert enhanced due diligence to make sure that they are not selling securities denominated in the official currency of a Member State to an entity owned by a Russian national or a natural person residing in Russia." In addition, with respect to units in collective investment undertakings, the European Commission states that "any ownership, investment or 'exposure' to transferable securities issued after 12 April 2022 by units in collective investment undertakings brings such units in collective investment undertakings within the scope of the prohibition" (irrespective of the percentage such transferable securities represent of the fund's assets). Furthermore, the European Commission states that allocating free shares to Russian employees as part of variable remuneration schemes does not amount to a

sale of securities and, as such, does not fall within the scope of the prohibition.

- In addition, by Council Regulation (EU) No. 2022/576, the EU introduced a prohibition on selling, supplying, transferring or exporting banknotes denominated in any official currency of an EU Member State to Russia or to any natural or legal person, entity or body in Russia, including the Russian government and the Russian Central Bank, or for use in Russia. Exceptions apply under certain limited circumstances, such as where such sale, supply *etc.* is necessary for the personal use of natural persons travelling to Russia or members of their immediate families travelling with them.

In its [Frequently Asked Questions](#), the European Commission clarifies that the prohibition only applies to physical banknotes, but not to transfers via bank accounts. Furthermore, the European Commission states, *inter alia*, that the exception allowing the supply of EUR banknotes for personal use of natural persons travelling to Russia or members of their immediate families travelling to them, "*should be interpreted in narrow terms*" and that for the consideration of the term "*personal use*" the determining factor is the "*non-commercial nature*." According to the European Commission, in cases where Russian companies are closing down and returning to Russia with cash belonging to the company and as regards employees of such companies "*there is no reason to allow Russians to repatriate their savings in Russia*." Furthermore, the European Commission states that financial institutions are not expected to change their practices with respect to ATM usage, card caps for cash withdrawals or card usage, "*but to heighten their vigilance and be able to detect sudden increases of banknotes withdrawal/requests*." In addition, it states that the prohibition also covers subsidiaries of Russian entities in the EU "*to the extent that there are grounds to believe that the banknotes would reach the parent companies or other Russian entities*," pointing out that "*in complying with the prohibition, EU operators have an obligation of result*."

### **Russian Central Bank**

On 28 February 2022, the EU adopted Council Regulation (EU) No. 2022/334 (which amends Council Regulation (EU) No. 833/2014), and which significantly expands the sanctions on the Russian Central Bank, prohibiting any transactions related to the management of reserves as well as of assets of the Russian Central Bank and any transactions with any entity / body acting on behalf / at the direction of the Russian Central Bank, such as the Russian National Wealth Fund. The competent authorities in the Member States of the EU may grant authorisations for such transactions only if it is strictly necessary to ensure the financial stability of the EU as a whole or of the EU Member State concerned.

In its [Frequently Asked Questions](#), the European Commission, *inter alia*, states that paying lawfully due taxes in Russia does not amount to enabling the Russian Central Bank to manage its reserves or assets, so that the aforementioned prohibition "*does therefore not apply to the payment of taxes*."

### **Russian Direct Investment Fund**

By Council Regulation (EU) No. 2022/345, which was published on 2 March 2022, the EU introduced a prohibition on investing, participating or otherwise contributing to projects co-financed by the Russian Direct Investment Fund.

There is a possibility for Member State authorities to authorise a relevant investment, participation or contribution if such is due under contracts concluded before 2 March 2022 or ancillary contracts necessary for the execution of such contracts.

In its (German-language) [Frequently Asked Questions](#), the German Central Bank (*Bundesbank*) takes the view, *inter alia*, that the prohibition with respect to projects co-financed by the RDIF does not apply to "*participations already existing at the time of entry into force*" (as translated) of the prohibition. However, it states that "*new investments, participations or other contributions are prohibited*" without a licence, also "*if they are made within the framework of existing relationships or build on such relationships*" (as translated).

In its (German-language) [Frequently Asked Questions](#), the German Federal Ministry for Economic Affairs and Climate Action states that, in principle, EU operators can continue to exercise shareholder rights resulting from a participation already existing at the time of the entry into force of the prohibition (such as a claim to profit distribution, voting rights at the shareholders' meeting or control rights). However, according to the German Federal Ministry for Economic Affairs and Climate Action, the exercise of shareholder rights may not be used to contribute to a change in the shareholding structure (e.g. an increase of the own shareholding or the share of the Russian Direct Investment Fund). Exceptions could only be conceivable in individual cases, e.g. if an obligation to make additional contributions was already bindingly agreed in the context of the old investment.

Furthermore, in its (German-language) [Frequently Asked Questions](#) the German Central Bank (*Bundesbank*) points out that due to the very broad term "*co-financing*" it can be assumed that the participation or similar of the Russian Direct Investment Fund does not have to meet any special requirements for the prohibition to apply, in particular that it does not have to reach a certain threshold value, and that also "*indirect 'co-financing'*" (as translated) should suffice.

## **Deposits**

By Council Regulation (EU) No. 2022/328 of 25 February 2022 and Council Regulation (EU) 2022/576 of 8 April 2022, the EU introduced a prohibition on accepting any deposits from Russian nationals or natural persons residing in Russia or entities established in Russia if the total value of the deposit of these persons / entities exceeds EUR 100,000 (per credit institution) and a prohibition to provide crypto-asset wallet, account or custody services to Russian nationals or natural persons residing in Russia, or legal persons, entities or bodies established in Russia, if the total value of crypto-assets of the natural or legal person, entity or body per wallet, account or custody provider exceeds EUR 10,000. These prohibitions do not apply to nationals of, or to natural persons having a temporary or permanent residence permit in, an EU Member State, a country member of the European Economic Area or Switzerland.

There is also an exception for deposits necessary for cross border trade in goods and services between the EU and Russia. In its (German-language) [Frequently Asked Questions](#), the German Central Bank (*Bundesbank*) takes the view, *inter alia*, that this exception only applies to the relevant deposits, but not to an entire account on which permissible deposits are booked, so that

credit institutions have to check for every incoming payment whether or not this specific payment meets the requirements of the exception and can therefore be credited to the account. In this context, the German Central Bank (*Bundesbank*) states that securities trading does not fall within the scope of the exception for cross border trade in goods and services.

In its [Frequently Asked Questions](#), the European Commission clarifies that the restriction applies "*per banking licence*." Furthermore, it states, *inter alia*, that the prohibition principally also comprises subsidiaries of EU operators incorporated in Russia.

For these purposes, a "*deposit*" means 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: (1) its existence can only be proven by a financial instrument, unless it is a savings product which is evidenced by a certificate of deposit made out to a named person and which exists in an EU Member State on 2 July 2014; (2) its principal is not repayable at par; or (3) its principal is only repayable at par under a particular guarantee or agreement provided by the credit institution or a third party.

We consider that any account balance is therefore a deposit. The currency is not relevant.

In its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that transactions or corporate events resulting in a positive cash flow, and thereby becoming a deposit as defined in the Regulation, into a relevant account would principally fall within the prohibition. In addition, the European Commission explains that payments of interest or dividend should not be accepted if the threshold of EUR 100,000 is already exceeded. In the view of the European Commission, where and how the interest or dividend payment should be made to in such cases "*would need to be decided by the parties involved*."

The restriction does not prohibit transfers from existing accounts (of otherwise non-sanctioned persons), nor does it require that existing deposits over the threshold are reduced. But for accounts already over that threshold, effectively no additional funds can be received into those accounts.

Under certain circumstances, the competent authorities in the Member States of the EU may grant relevant authorisations.

Information obligations have also been introduced, requiring credit institutions to provide their competent national authorities, by no later than 27 May 2022, with lists of relevant deposits exceeding EUR 100,000. In its [Frequently Asked Questions](#), the European Commission states that the information to be reported "*shall be provided as soon as possible*" so that "*credit institutions should take proper action to swiftly collect the information*." According to the European Commission, "*where credit institutions are not able to provide this information by the set deadline because the information is still being collected, they shall inform the respective competent authorities of the delay and its reasons, and agree on a reasonable deadline with the competent authorities*." The European Banking Authority (EBA) published a [template for such reporting](#) and the European Commission encourages credit institutions to apply it.

There is a broad circumvention prohibition, which means deposits from non-Russian entities on behalf of Russian persons or entities should also be prohibited.

In its most recent version of the [Frequently Asked Questions](#), the European Commission has clarified previously inconsistent guidance and now states that, "*strictly speaking*," the prohibition does not apply to entities owned by Russian nationals or natural persons residing in Russia when the entities are registered in a country other than Russia. However, the European Commission points out that "*the provision should be read in conjunction with Article 12 of Council Regulation 833/2014 (...) which prohibit(s) to participate knowingly and intentionally in activities the object or effect of which is to circumvent prohibitions in the Regulation*," which is why "*EU operators should therefore exert enhanced due diligence*" when the deposit is made to an account of an entity owned by a Russian national or a natural person residing in Russia.

### **Services with respect to trusts**

By Council Regulation (EU) 2022/576 of 8 April 2022, the EU introduced a prohibition on registering, providing a registered office, business or administrative address as well as management services to, a trust or any similar legal arrangement having as a trustor or a beneficiary (1) Russian nationals or natural persons residing in Russia, (2) legal persons, entities or bodies established in Russia, (3) legal persons, entities or bodies whose proprietary rights are directly or indirectly owned for more than 50% by Russian nationals, natural persons residing in Russia or legal persons, entities or bodies established in Russia, (4) legal persons, entities or bodies controlled by the aforementioned natural or legal persons, entities or bodies, or (5) a natural or legal person, entity or body acting on behalf or at the direction of the aforementioned natural or legal persons, entities or bodies.

In addition, by Council Regulation (EU) 2022/879 of 3 June 2022, the EU introduced a prohibition as of 5 July 2022 on acting as, or arranging for another person to act as, a trustee, nominee shareholder, director, secretary or a similar position, for such trusts or similar legal arrangements (previously, this prohibition applied as of 10 May 2022, and has now been amended).

In its [Frequently Asked Questions](#), the European Commission states that as there is "*no single definition of what qualifies as a 'similar legal arrangement'*," it "*would be relevant to assess such an arrangement's structure or function as compared to that of a trust, such as the establishment of a fiduciary bond between parties and a separation or disconnection of legal and beneficial ownership of assets.*"

In addition, according to the European Commission, as the provision of the prohibited services may be necessary for the operation of relevant trusts or similar legal arrangements which are already established, "*the prohibition requires their dissolution, the resurfacing of all assets as well as the restitution of assets to the trustor or distribution to beneficiaries*" (additional restrictions apply if a settlor or beneficiary of a trust or similar legal arrangement is a person subject to an asset freeze under EU sanctions).

An exception applies when the trustor or beneficiary is a national of an EU Member State or a natural person having a temporary or permanent residence permit in an EU Member State. In its [Frequently Asked Questions](#), the European Commission states that this exemption provides that prohibitions do

not apply where a trust or similar legal arrangement has "*only one trustor or one beneficiary*" who is a national of an EU Member State or has a temporary or permanent residence permit in an EU Member State.

Further, an exception applied to operations that were strictly necessary for the termination by 5 July 2022 of contracts which were not compliant with the aforementioned prohibitions concluded before 9 April 2022 or of ancillary contracts necessary for the execution of such contracts.

In addition, EU Member States may authorise services concerned by the aforementioned two prohibitions if this is necessary for (1) humanitarian purposes, (2) civil society activities that directly promote democracy, human rights or the rule of law in Russia or (3) the operation of trusts whose purpose is the administration of occupational pension schemes, insurance policies or employee share scheme, charities, amateur sports clubs, and funds for minors or vulnerable adults.

Further, EU Member States may authorise continuing beyond 5 July 2022 to act as, or arrange for another person to act as, a trustee, nominee shareholder, director, secretary or a similar position, for relevant trusts or relevant similar legal arrangements for (1) the completion by 5 September 2022 of operations strictly necessary for the termination of contracts concluded before 9 April 2022, provided that such operations were initiated before 11 May 2022 or (2) other reasons, provided that the service providers do not accept from, or make available to, the relevant trustors or beneficiaries referred to in the prohibitions any funds or economic resources, directly or indirectly, or otherwise provide such persons with any benefit from assets placed in a trust. In its [Frequently Asked Questions](#), the European Commission states that "*this means that a trust or similar legal arrangement can continue to operate, for instance, where there are several beneficiaries including EU persons*" (based on an individual authorisation by the relevant EU Member State). In addition, the European Commission states that where beneficiaries of trusts include both Russian nationals and non-Russian nationals, the aforementioned services could be provided or continue if the persons referred to in the prohibitions "*are removed from the trust or similar legal arrangement.*"

### **Accounting, auditing and consulting services**

By Council Regulation (EU) No. 2022/879 of 3 June 2022, the EU introduced a prohibition on providing, directly or indirectly, accounting, auditing, bookkeeping, tax consulting, business and management consulting or public relations services to (1) the Russian government or (2) legal persons, entities or bodies established in Russia.

In its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that lobbying services could also constitute public relations services and therefore fall within the scope of the prohibition. However, *inter alia*, "*activities by employers and trade unions acting as participants in social dialogue, activities carried out by individuals acting in a strictly personal capacity and not in association with others, and spontaneous, purely private or social meetings and meetings taking place in the context of an administrative procedure established by the treaties or legal acts of the EU*" shall not be covered by the definition of lobbying activities and therefore fall outside the scope of the prohibition. Further, "*standard legal services,*" such as in the context of civil law, family law or company law, shall not be covered by the scope of the

prohibition. In addition, the European Commission points out that EU subsidiaries of Russian entities are prohibited from providing the relevant services to their Russian parent entities and that employees of Russian entities who are EU nationals or persons located in the EU are also prohibited from providing the relevant services to their Russian employers in their capacity as employees.

Exceptions apply to the provision of services that are (1) strictly necessary for the exercise of the right of defence in judicial proceedings and the right to an effective legal remedy or (2) intended for the exclusive use of entities established in Russia that are owned by, or solely or jointly controlled by, an entity incorporated or constituted under the law of an EU Member State. Further, an exception applied to the provision of services that was strictly necessary for the termination by 5 July 2022 of contracts which were not compliant with this prohibition concluded before 4 June 2022 (or of ancillary contracts necessary for the execution of such contracts).

In addition, EU Member State authorities may authorise relevant services if this is necessary for (1) humanitarian purposes or (2) civil society activities that directly promote democracy, human rights or the rule of law in Russia.

### ***Credit Rating Services***

By Council Regulation (EU) No. 2022/428 of 15 March 2022, the EU introduced a prohibition as of 15 April 2022 on the provision of credit rating services, as well as of access to any subscription services in relation to credit rating activities, to any Russian national or natural person residing in Russia or any entity or body established in Russia. An exception applies with respect to nationals of an EU Member State or natural persons having a temporary or permanent residence permit in an EU Member State.

In its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that the prohibition also extends to any service encompassing market forecasts, estimates of economic trends, pricing analysis and other general data analysis as well as related distribution services to any Russian national or natural person residing in Russia or any legal person, entity or body established in Russia. In addition, it states that the prohibition applies to any entities delivering the services or performing the activities covered by the prohibition and not only to persons subject to Regulation (EC) No 1060/2009 on credit rating agencies (CRA Regulation). Furthermore, the European Commission takes the view that providing ratings on Russian nationals or natural persons residing in Russia or legal persons, entities or bodies established in Russia is prohibited, regardless of who the credit rating services are provided to.

### ***Energy Industry***

By Council Regulation (EU) No. 2022/328 of 25 February 2022 and Council Regulation (EU) No. 2022/576 of 8 April 2022, the EU introduced a prohibition on the sale, supply, transfer or export of certain listed goods and technology suited for use in oil refining and liquefaction of natural gas to any natural or legal person, entity or body in Russia or for use in Russia.

The prohibition also applies to the provision of technical assistance, brokering services and other services as well as of financing or financial assistance related to the listed goods and technology.

An exception applied to the execution until 27 May 2022 of contracts concluded before 26 February 2022. The competent authorities in the Member States of the EU may, under very limited circumstances, also grant authorisations to relevant sales, exports *etc.*

By Council Regulation (EU) No. 2022/428 of 15 March 2022, the EU extended existing export restrictions for certain listed equipment, technology and services for the energy industry in Russia. It is now prohibited, *inter alia*, to sell, supply, transfer or export, directly or indirectly, listed goods or technology suited for the energy industry to any natural or legal person, entity or body in Russia or for use in Russia. In addition, there is a prohibition on providing related technical assistance, brokering services or other services, financing or financial assistance.

Exceptions apply, *inter alia*, to (1) the sale, supply, transport or export or the provision of technical or financial assistance necessary for the transport of natural gas and oil, including refined petroleum products, from or through Russia into the EU (unless such activities are otherwise prohibited under Council Regulation (EU) No. 833/2014, as amended), and (2) the execution until 17 September 2022 of an obligation arising from a contract concluded before 16 March 2022 (or ancillary contracts necessary for the execution of such a contract) provided that the competent Member State authority has been informed at least 5 working days in advance. An exception also applies to the provision of insurance or reinsurance to entities or bodies incorporated or constituted under the law of an EU Member State with regard to their activities outside the energy sector in Russia. In addition, EU Member State authorities may authorise the sale, supply, transfer or export and the provision of technical or financial assistance if (1) it is necessary for ensuring critical energy supply within the EU, or (2) it is intended for the exclusive use of entities owned, or solely or jointly controlled, by an entity or body incorporated or constituted under the law of an EU Member State.

By Council Regulation (EU) No.2022/428 of 15 March 2022, the EU further introduced comprehensive investment prohibitions with respect to the Russian energy sector. It is now prohibited, *inter alia*, to (1) acquire any new or extend any existing participation in any entity or body incorporated or constituted under the law of Russia or any other third country and operating in the energy sector in Russia, (2) grant or be part of any arrangement to grant any new loan or credit or otherwise provide financing, including equity capital, to any such entity or body, (3) create any new joint venture with any such entity or body, or (4) provide investment services directly related to the aforementioned activities.

EU Member State authorities may grant an authorisation for such activities if (1) it is necessary for ensuring critical energy supply within the EU, as well as the transport of natural gas and oil, including refined petroleum products, from or through Russia into the EU (unless such activities are otherwise prohibited under Council Regulation (EU) No. 833/2014, as amended), or (2) it exclusively concerns an entity or body operating in the energy sector in Russia owned by an entity or body which is incorporated or constituted under the law of an EU Member State.

In its [Frequently Asked Questions](#), the European Commission, *inter alia*, states that the prohibition "*does not prohibit drawdowns or disbursements made under pre-existing loans or credits in line with the agreed terms and conditions of the contract,*" but that the prohibition "*must not be circumvented*



*through changes to the existing terms and conditions."* According to the European Commission, any amendments to existing loans resulting in a *"financial benefit for the entity"* would re-qualify an existing loan as new loan or credit (such as, e.g., extending the dates for loan repayment or lowering the interest rates applicable in case of delays). Furthermore, it states that persons or entities that own or control a company operating in the Russian energy sector *"should be considered as 'operating in the energy sector' as well."*

In its (German-language) [Frequently Asked Questions](#), the German Federal Ministry for Economic Affairs and Climate Action states that the prohibition on granting new loans or credits or otherwise providing financing applies to *"new allocations"* and takes the view that *"where certain financial resources were already made available regularly and for a specific purpose before 16 March 2022, a future making available for the same purpose in the previous scope is not subject to the prohibition"* (as translated). However, the relevant question explicitly addressed the provision of *"funds to be used for employee salaries or rental costs"* that were already demonstrably paid on a regular basis before 16 March 2022, and it is not fully clear from the Frequently Asked Questions to what extent the view of the German authorities goes beyond the provision of funds for such or comparable purposes.

## **Oil**

By Council Regulation (EU) No. 2022/879 of 3 June 2022, the EU introduced a prohibition on purchasing, importing or transferring, directly or indirectly, certain listed crude oil or petroleum products if they originate in Russia or are exported from Russia.

The prohibition also applies to the provision of related technical assistance, brokering services and other services as well as of related financing or financial assistance.

In its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that the prohibition shall only apply to the purchase, import or transfer of Russian crude oil that is destined for import into EU Member States, but that it is still possible *"to ship those goods to third countries, provided this does not entail any risk of circumvention"* of the prohibition. However, as mentioned below, there is a separate prohibition on providing technical assistance, brokering services, financing or any financial assistance in relation to the transport of such goods to third countries.

Further, the European Commission states that Russian oil imported, transferred or purchased in the EU together with oil of other origin in mixed fashion is subject to the prohibition, *"unless the exact share of the product which does not originate in Russia can be clearly demonstrated"* to the national authorities of the relevant EU Member State. In such a case, *"the exact portion not originating in Russia can be allowed into the Union."*

With respect to petroleum oils and oils obtained from bituminous minerals, other than crude (CN Code 2710), the European Commission points out that only those which originate in Russia or are exported from Russia fall under the general prohibition. However, according to the European Commission, a case-by-case analysis of *"the production process and proportion of the components used is needed to determine the origin."* The European Commission takes the view that, for example, petroleum oils and oils obtained from bituminous minerals, other than crude (CN Code 2710) obtained in a third country *"mixing Russian oil"* falling under CN code 2710 and locally

produced oil exported from that third country could be subject to the prohibition "*depending on the proportion of the Russian component.*"

Certain exceptions apply, in particular:

- to purchases in Russia of listed crude oil or petroleum products which are required to meet the essential needs of the purchaser in Russia or of humanitarian projects in Russia.

In its [Frequently Asked Questions](#), the European Commission states that this exception allows EU natural or legal persons situated in Russia to purchase the listed crude oil or petroleum products "*for their own daily consumption, for instance to refuel their car or heat their homes.*"

According to the European Commission, this "*would typically apply to EU tourists visiting Russia, EU expats living in Russia, EU humanitarian aid providers etc.*" and "*to a branch of an EU company in Russia which would need to purchase the goods for its own use,*" but "*it would not cover (...) purchases of such goods for resale or refining for example.*"

- to one-off transactions for near term delivery of petroleum oils and oils obtained from bituminous minerals, crude (CN Code 2709 00) until 5 December 2022, provided that these transactions are notified by the relevant EU Member States to the Commission within 10 days of their completion.

In its [Frequently Asked Questions](#), the European Commission states that one-off transactions for near-terms delivery "*should be understood as spot market transactions.*" The European Commission points out that relevant contracts concluded "*cannot foresee multiple deliveries and the oil should be delivered within 30 days maximum after the transaction has been concluded.*" Further, according to the European Commission, with respect to the notification requirement, completion should be understood as the final delivery of the goods.

- to the execution until 5 December 2022 of contracts for the purchase, import or transfer of petroleum oils and oils obtained from bituminous minerals, crude (CN Code 2709 00) concluded before 4 June 2022, provided that those contracts have been notified by the relevant EU Member States to the Commission by 24 June 2022.

In its [Frequently Asked Questions](#), the European Commission states that only contracts for the import of the goods should be notified, and that the notification requirement does not apply to insurers or reinsurers.

- to one-off transactions for near term delivery of petroleum oils and oils obtained from bituminous minerals, other than crude (CN Code 2710) until 5 February 2023, provided that these transactions are notified by the relevant EU Member States to the Commission within 10 days of their completion.
- to the execution until 5 February 2023 of contracts for the purchase, import or transfer of petroleum oils and oils obtained from bituminous minerals, other than crude (CN Code 2710) concluded before 4 June 2022, provided that those contracts have been notified by the relevant EU Member States to the Commission by 24 June 2022.
- to the purchase, import or transfer of seaborne crude oil and of petroleum products listed in Annex XXV where those goods originate in a third

country and are only being loaded in, departing from or transiting through Russia, provided that both the origin and the owner of those goods are non-Russian.

- to crude oil falling under CN code 2709 00 delivered by pipeline from Russia into EU Member States (until the Council of the European Union decides that the prohibitions apply also in that regard). However, crude oil delivered into EU Member States under this exception needs to be specially marked and the transfer or transport of such crude oil delivered into EU Member States to other EU Member States or to third countries, or its sale to purchasers in other EU Member States or in third countries, are prohibited. In its [Frequently Asked Questions](#), the European Commission states that the resale prohibition does not apply to situations where "*a Member State purchases its crude oil using a company based in another Member State provided that this intermediary does not receive the physical delivery of the oil.*" In addition, as from 5 February 2023, where crude oil has been delivered into an EU Member State under this exception, there is a prohibition on transferring or transporting petroleum products falling under CN code 2710 which are obtained from such crude oil to other EU Member States or to third countries, or to sell such petroleum products to purchasers in other EU Member States or in third countries (with a certain temporary derogation applying to the import and transfer into Czechia).

There is a specific possibility for the Bulgarian authorities to authorise the execution until 31 December 2024 of contracts concluded before 4 June 2022 for the purchase, import or transfer of listed Russian seaborne crude oil and petroleum products. Furthermore, there is a specific possibility for the Croatian authorities to authorise, under certain circumstances, until 31 December 2023 the purchase, import or transfer of certain Russian vacuum gas oil. However, goods imported under such licenses from the Bulgarian or Croatian authorities may not be sold on to buyers located in another EU Member State or in a third country.

Furthermore, in the event that the supply of crude oil by pipeline from Russia to a landlocked EU Member State is interrupted, under certain circumstances seaborne crude oil from Russia falling under CN code 2709 00 may be imported into that Member State.

Apart from that, in its [Frequently Asked Questions](#), the European Commission states that the prohibition does not apply to goods which were already released for free circulation within the territory of the EU prior to 4 June 2022.

Further, the European Commission states that, before purchasing listed crude oil and petroleum products from other EU Member States benefitting from the exception for imports by pipeline or from the specific derogations for Bulgaria and Croatia, EU operators and national authorities "*must conduct appropriate due diligence*" and "*should do the necessary checks to ensure that such goods do not originate from Russia, are not exported from Russia or are not petroleum products (...) which are obtained from crude oil originating or exported from Russia.*"

In addition, as mentioned above, Council Regulation (EU) No. 2022/879 introduced a prohibition on providing, directly or indirectly, technical assistance, brokering services or financing or financial assistance related to the transport, including through ship-to-ship transfers, to third countries of the listed crude oil or petroleum products if they originate in Russia or have been

exported from Russia. In its [Frequently Asked Questions](#), the European Commission states that this prohibition only applies to maritime transport and does not extend to pipeline transport. Exceptions apply to (i) the execution until 5 December 2022 of contracts concluded before 4 June 2022 (or of ancillary contracts necessary for the execution of such contracts) and (ii) the transport of listed crude oil or petroleum products where those goods originate in a third country and are only being loaded in, departing from or transiting through Russia, provided that both the origin and the owner of those goods are non-Russian.

### **Coal**

By Council Regulation (EU) No. 2022/576 of 8 April 2022, the EU introduced a prohibition on purchasing, importing, or transferring, directly or indirectly, certain listed coal and other solid fossil fuels if they originate in Russia or are exported from Russia.

The prohibition also applies to the provision of technical assistance, brokering services and other services as well as of financing or financial assistance related to the listed items.

An exception applies to the execution until 10 August 2022 of contracts concluded before 9 April 2022, or ancillary contracts necessary for the execution of such contracts.

In its [Frequently Asked Questions](#), the European Commission states that "*the prohibition on purchase applies irrespective of the final destination of the goods*" and that "*it is not relevant whether the goods are destined for the EU or not.*" Further, the European Commission states that the prohibition applies with respect to all CN codes mentioned in Annex XXII of Council Regulation (EU) No. 833/2014 (as amended), regardless of whether products are coal-based or not or whether they are solid or not.

### **Iron and Steel**

By Council Regulation (EU) No. 2022/428 of 15 March 2022, the EU imposed a prohibition on (directly or indirectly) importing, purchasing or transporting certain listed iron and steel products located or originated in Russia or exported from Russia, as well as on providing related technical assistance, brokering services, financing or financial assistance (including financial derivatives) and insurance and re-insurance. Council Regulation (EU) No. 2022/576 of 8 April 2022 amended the list of relevant iron and steel products.

In its [Frequently Asked Questions](#), the European Commission states that "*the prohibition on purchase applies irrespective of the final destination of the goods*" and that "*it is not relevant whether the goods are destined for the EU or not.*"

An exception applied to the execution until 17 June 2022 of contracts concluded before 16 March 2022 (or ancillary contracts necessary for the execution of such contracts).

### **Luxury Goods**

By Council Regulation (EU) No. 2022/428 of 15 March 2022, the EU imposed a prohibition on selling, supplying, transferring or exporting, directly or indirectly, several listed luxury goods to any natural or legal person, entity or body in Russia or for use in Russia, including, *inter alia*, beer, champagne,

cigars, perfumes, travel goods, handbags, certain clothing and shoes, jewellery, porcelain, electronic items, vehicles, watches, musical instruments, works of art and sports equipment. Council Regulation (EU) No. 2022/576 of 8 April 2022 amended the list of relevant luxury goods.

Unless otherwise specified in the relevant Annex to the EU Council Regulation, the prohibition applies to the listed luxury goods insofar as their value exceeds EUR 300 per item. Higher values apply, *inter alia*, for electronic items for domestic use (value exceeding EUR 750), apparatus for recording and reproducing sound and images (value exceeding EUR 1,000), vehicles (value exceeding EUR 50,000) and motorbikes (value exceeding EUR 5,000).

There is only an exception for goods which are necessary for the official purposes of diplomatic or consular missions of EU Member States or partner countries (currently the US, Japan, the UK and South Korea) in Russia or of international organisations enjoying immunities in accordance with international law, or to the personal effects of their staff. In addition, by Council Regulation (EU) No. 2022/576 of 8 April 2022, the EU introduced the ability for EU Member States to authorise the transfer or export to Russia of cultural goods which are on loan in the context of formal cultural cooperation with Russia.

In its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that the value threshold for the items is to be assessed "*based on the statistical value of the goods in the export declaration,*" which is defined as "*the price actually paid or payable for the exported goods, excluding arbitrary or fictitious values.*" The European Commission clarifies that VAT is not to be included in the statistical value, but that the value "*must be adjusted, where necessary, in such a way that the statistical value contains solely and entirely the incidental expenses, such as transport and insurance costs, incurred to deliver the goods from the place of their departure to the border of the Member State of export.*"

In addition, the European Commission states that the term "*item*" is to be understood as the "*supplementary unit,*" being "*the quantity of the item in question, expressed in the unit laid down in Union legislation, as published in TARIC.*" The European Commission clarifies that this principally means "*usual packaging for retail sale, e.g. a package of 3 bottles of perfume if they are sold together, or a bottle of perfume if it is meant to be sold separately.*"

### **Ban on import of "goods which generate significant revenues for Russia"**

By Council Regulation (EU) No. 2022/576 of 8 April 2022, the EU introduced a prohibition on purchasing, importing, or transferring, directly or indirectly, certain listed goods "*which generate significant revenues for Russia*" into the EU if they originate in Russia or are exported from Russia. The list of goods includes, *inter alia*, crustaceans, caviar, certain cement, potassium chloride and other fertilisers, certain polymers, certain pneumatic tyres, wood and articles of wood, uncoated kraft paper and paperboard, certain glass, bottles and certain other products of glass, glass fibres, silver, certain aluminium plates, sheets and strip, lead, turbojets and other gas turbines, certain ships and vessels and furniture. By Council Regulation (EU) 2022/879 of 3 June 2022, the list of goods was amended. It now also includes, *inter alia*, spirits, liqueurs and other spirituous beverages.

In its [Frequently Asked Questions](#), the European Commission states that "*the prohibition on purchase applies irrespective of the final destination of the goods*" and that "*it is not relevant whether the goods are destined for the EU or not.*"

The prohibition also applies to the provision of technical assistance, brokering services and other services as well as of financing or financial assistance related to the listed goods.

An exception applies to the execution until 10 July 2022 of contracts concluded before 9 April 2022, or ancillary contracts necessary for the execution of such contracts. Furthermore, as of 10 July 2022 an exception will apply to the import, purchase etc. necessary for the import into the EU of (1) a certain quantity of potassium chloride between 10 July of a given year and 9 July of the following year and (2) a certain combined quantity of certain other listed fertilisers between 10 July of a given year and 9 July of the following year. The relevant import volume quotas will be managed by the European Commission and the EU Member States.

### **Road Transport**

By Council Regulation (EU) 2022/576, the EU introduced a prohibition for any road transport undertaking established in Russia to transport goods by road within the territory of the EU, including in transit.

Road transport undertaking means any natural or legal person, entity or body engaged with a commercial purpose in the transport of freight by means of motor vehicles or combinations of vehicles.

An exception applies to road transport undertakings transporting mail as a universal service or goods in transit through the EU between the Kaliningrad Oblast and Russia (provided that the transport of such goods is not otherwise prohibited under the EU sanctions against Russia). In addition, until 16 April 2022 an exception applied to the transport of goods that started before 9 April 2022, provided that the vehicle of the road transport undertaking was already in the territory of the EU on 9 April 2022 or needed to transit through the EU in order to return to Russia.

In addition, there is the ability for EU Member States to authorise the transport of goods if this is necessary for (1) the purchase, import or transport into the EU of natural gas and oil, including refined petroleum products, as well as titanium, aluminium, copper, nickel, palladium and iron ore (unless such activities are otherwise prohibited under Council Regulation (EU) No. 833/2014, as amended), (2) the purchase, import or transport of pharmaceutical, medical, agricultural and food products, including wheat and fertilisers whose import, purchase and transport is allowed under the EU sanctions against Russia, (3) humanitarian purposes, (4) the functioning of diplomatic and consular representations in Russia, or (5) the transfer or export to Russia of cultural goods which are on loan in the context of formal cultural cooperation with Russia.

In its [Frequently Asked Questions](#), the European Commission, *inter alia*, states with respect to the restrictions concerning road transport that it is for the transporter to apply for and obtain relevant authorisations from EU Member State authorities to carry out the transport in the EU territory, but that the EU Member State authorities are free to accept authorisation requests made on behalf of the transporter by other persons and entities involved in the relevant

transaction, such as the importer or the consignor, if national law allows that. Further, the European Commission states that the national competent authorities of all EU Member States through which the goods are transported should grant authorisations and that authorisations granted by individual EU Member States do not, in and of themselves, bind any other EU Member State. However, the European Commission points out that "*by virtue of the principle of sincere cooperation,*" EU Member States should collaborate to avoid disproportionate administrative burdens in dealing with transports crossing several national territories.

### **Aviation Industry**

By Council Regulation (EU) No. 2022/328 of 25 February 2022 and Council Regulation (EU) No. 2022/576 of 8 April 2022, the EU introduced a prohibition on the sale, supply, transfer or export of aircraft, spacecraft or parts thereof and certain listed jet fuels and fuel additives to any natural or legal person, entity or body in Russia or for use in Russia.

This includes, *inter alia*, supplying aircraft to Russian persons or entities or for use in Russia by way of leasing.

The prohibition also applies to the provision of technical assistance, brokering services and other services as well as of financing or financial assistance related to the listed goods and technology.

An exception applied to the execution until 28 March 2022 of contracts concluded before 26 February 2022.

By Council Regulation (EU) 2022/576 of 8 April 2022, the EU introduced the ability for EU Member States to authorise the execution of an aircraft financial lease concluded before 26 February 2022 if (1) this is strictly necessary to ensure lease re-payments to a legal person, entity or body incorporated or constituted under the law of an EU Member State which does not fall under any of the EU sanctions against Russia and (2) no economic resources will be made available to the Russian counterpart, with the exception of the transfer of ownership of the aircraft after full reimbursement of the financial lease.

The provision of insurance and reinsurance and of maintenance activities concerning aircraft or components in relation to such listed goods and technology to any natural or legal person, entity or body in Russia or for use in Russia is also prohibited. The exception noted above did not apply in relation to those activities, so that the prohibition was of immediate effect.

In its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that the term "'for use in Russia' should be understood as covering the sale/supply/transfer/export of goods/services which would be used in Russia, including operations between two points in Russia." According to the European Commission, this applies, for example, "*to flights between two points in Russia, whether in connection or not with an international service.*" However, according to the European Commission, "*strictly speaking, in-and-out types of operations are not covered by the sanctions*" unless "*the in-and-out operation is complemented with a service inside Russia (e.g. Istanbul-Moscow-Saint Petersburg-Istanbul).*"

Further, in its [Frequently Asked Questions](#), the European Commission states that it needs to be differentiated between (1) insurance in relation to a sale, supply, transfer or export of aircraft etc. and (2) specific insurance or reinsurance in relation to an aircraft. Insurance in relation to a sale, supply,

transfer or export of aircraft *etc.* benefitted from the exception for execution until 28 March 2022 if the insurance contract was concluded before 26 February 2022. In line with that, in its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that the exception allowed, until 28 March 2022, the provision of insurance or reinsurance to leasing companies for aircraft and engines subject to operating or finance lease arrangements signed before 26 February 2022, including when such aircraft or engine was used in Russia or leased to a Russian person.

By contrast, specific insurance or reinsurance in relation to an aircraft or components did not benefit from the exception. However, in its [Frequently Asked Questions](#) on Insurance and Reinsurance, the European Commission states that the provision of insurance or reinsurance in the context of an international flight in and out of Russia by a non-Russian airline which does not have a Russian insurance or reinsurance is not covered by the prohibition "*as it is not for 'use in Russia' but part of the normal international services provided by an airline.*"

In addition, on 28 February 2022, Council Regulation (EU) No. 2022/334 closed the airspace of the EU for Russian aircraft with immediate effect. It is now prohibited for any aircraft operated by Russian air carriers (including as a marketing carrier in code-sharing or blocked-space arrangements), and for any Russian registered aircraft or for any non-Russian-registered aircraft which is owned, chartered, or otherwise controlled by any Russian natural or legal person, entity or body, to land in, take off from or overfly the territory of the EU. "*Russian air carrier*" is defined in this context as an air transport undertaking holding a valid operating licence or equivalent issued by the competent authorities of the Russian Federation.

An exception only applies in cases of emergency landings or emergency overflights. Furthermore, under very limited circumstances, the competent authorities in the Member States of the EU may grant authorisations to such landing, overflight *etc.*, if it is required for humanitarian purposes.

In addition, Eurocontrol, as the Network Manager appointed by the European Commission, is required to reject all flight plans filed by aircraft operators indicating an intent to carry out activities over the territory of the EU that violate the aforementioned prohibition, such that the pilot is not permitted to fly.

In its [Frequently Asked Questions](#), the European Commission addresses several aspects related to the closure of EU airspace.

### ***Maritime sector and ban on access to EU ports***

By Council Regulation (EU) No. 2022/394 of 9 March 2022, the EU introduced a prohibition on the sale, supply, transfer or export of certain maritime navigation equipment and radio-communication equipment to any natural or legal person, entity or body in Russia or for use in Russia or for the placing on board of a Russian-flagged vessel.

The prohibition also applies to the provision of technical assistance, brokering services and other services as well as of financing or financial assistance related to the listed goods and technology.

An exception applies in cases of non-military use and non-military end-users, *inter alia*, for sales, exports *etc.* for humanitarian purposes or as a response to natural disasters. Furthermore, the competent authorities in the Member



States of the EU may grant authorisations in cases of non-military use and non-military end-users if the sale, export *etc.* is intended for maritime safety. In its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that maritime safety can be defined in this context as the safety of life, health, property and the environment against environmental and operational risks associated with navigation and that, accordingly, an authorisation may be granted "*if a ship is in need of assistance and/or seeking a place of refuge, if a ship in a Member State's port or territorial waters cannot safely continue its voyage without the necessary equipment, or again if it needs regular software updates of nautical charts as required by SOLAS chapter V (Regulation 27).*"

By Council Regulation (EU) No. 2022/576 of 8 April 2022, the EU introduced a prohibition on providing access after 16 April 2022 to EU ports to any vessel registered under the flag of Russia as well as to vessels that have changed their Russian flag or their registration to the flag or register of any other State after 24 February 2022.

An exception applies with respect to vessels in need of assistance seeking a place of refuge or in cases of emergency port calls for reasons of maritime safety, or for saving life at sea. In addition, EU Member States may authorise a vessel to access an EU port if such access is necessary for (1) the purchase, import or transport into the EU of natural gas and oil, including refined petroleum products, titanium, aluminium, copper, nickel, palladium and iron ore, as well as certain listed chemical and iron products (unless such activities are otherwise prohibited under Council Regulation (EU) No. 833/2014, as amended), (2) the purchase, import or transport of pharmaceutical, medical, agricultural and food products, including wheat and fertilisers whose import, purchase and transport is allowed under the EU sanctions against Russia, (3) humanitarian purposes, (4) transport of nuclear fuel and other goods strictly necessary for the functioning of civil nuclear capabilities, or (5) the purchase, import or transport into the EU of certain listed coal and other solid fossil fuels until 10 August 2022.

In its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that if a ship falling under the scope of the prohibition and carrying goods the transport of which may justify an authorisation to access a port requests access to a port in the EU, it is "*the responsibility of the port authorities to make a case-by-case assessment and supervise that the unloading concerns only goods falling under the derogations and that their unloading is not otherwise prohibited by EU sanctions.*" In addition, the European Commission states that ship-to-ship operations between Russian flagged vessels and vessels not subject to the port access ban which take place with the objective or effect of circumventing the prohibition are also caught by the provision. According to the European Commission, in that context, the "*determining element is that such a ship-to-ship operation is orchestrated in order for a vessel that is not subject to the port access ban to call in an EU port, where otherwise a Russian flagged vessel could not call.*" Furthermore, the European Commission clarifies that where a vessel has been authorised to call on a port in order to unload goods subject to a derogation, it must obtain a separate authorisation in order to load goods.

### **Technology sector**

By Council Regulation (EU) No. 2022/328 of 25 February 2022, the EU introduced a prohibition on the sale, supply, transfer or export of certain listed goods and technology which might contribute to Russia's technological

enhancement of its defence and security sector ("**Advanced Technology**"). Council Regulation (EU) No. 2022/879 of 3 June 2022 amended the list of relevant goods and technology.

The prohibition also applies to the provision of technical assistance, brokering services and other services as well as of financing or financial assistance related to the listed goods and technology.

Certain exceptions apply in cases of non-military use and non-military end-users, *inter alia*, for sales, exports *etc.* for humanitarian or medical purposes, software updates or for use as consumer communication devices.

Furthermore, the competent authorities in the Member States of the EU may, under certain circumstances, grant authorisations, *inter alia*, in cases of non-military use and non-military end-users if the sale, export *etc.* is intended for civilian non-publicly available electronic communications networks which are not the property of an entity that is publicly controlled or with over 50% public ownership, for the exclusive use of entities owned by – among others – EU entities or, where relevant authorisations were requested before 1 May 2022, if goods *etc.* are due under contracts concluded before 26 February 2022.

In its [Frequently Asked Questions](#) on the export-related restrictions concerning, *inter alia*, Advanced Technology, the European Commission states that EU nationals working for non-EU companies are personally bound by EU sanctions and can be held personally liable for participating in transactions which breach EU sanctions, for instance if such EU nationals facilitate transactions carried out by a non-EU entity.

In addition, the European Commission points out that decisions taken by a non-EU entity which need to be cleared or "*green-lighted*" by an EU parent company "*would be relevant, in that the latter (the EU parent entity) is bound in respect of its own actions.*"

These statements are in our view not limited to the export-related restrictions concerning Advanced Technology and other controlled items.

"*To support economic operators in their compliance efforts,*" these Frequently Asked Questions contain, *inter alia*, a "*non-binding*" correlation table with references correlating the Advanced Technology goods listed in the relevant Annex to the Council Regulation (EU) No. 833/2014 with the corresponding commodity codes as defined under the rules of the Common Customs Tariff and Combined Nomenclature (CN). However, it is stated that, despite this correlation table, an additional technical assessment is necessary for drawing conclusions as to whether a good is subject to the relevant export restrictions.

### ***Goods "which could contribute in particular to the enhancement of Russian industrial capacities"***

By Council Regulation (EU) 2022/576 of 8 April 2022, the EU introduced a prohibition on selling, supplying, transferring or exporting, directly or indirectly, numerous listed "*goods which could contribute in particular to the enhancement of Russian industrial capacities*" to any natural or legal person, entity or body in Russia or for use in Russia.

The prohibition also applies to the provision of technical assistance, brokering services and other services as well as of financing or financial assistance related to the listed goods and technology.

Exceptions apply to (1) the execution until 10 July 2022 of contracts concluded before 9 April 2022 or ancillary contracts necessary for the execution of such contracts and (2) to goods which are necessary for the official purposes of diplomatic or consular missions of EU Member States or partner countries in Russia or of international organisations enjoying immunities in accordance with international law, or to the personal effects of their staff. In addition, EU Member States may authorise relevant activities if this is necessary for humanitarian purposes.

In relation to this prohibition, in its German-language [Frequently Asked Questions](#), the German Federal Ministry for Economic Affairs and Climate Action states that (as translated) "*it is conceivable*" that commercial transactions of a Russian subsidiary owned or controlled by a German parent company (or a subsidiary in a third country) with persons in Russia or for use in Russia "*may be attributable to a German parent company under EU sanctions law.*" According to the Ministry, this may be the case, in particular, "*if the parent exerts a controlling influence on specific EU-sanctions-relevant transactions of the subsidiary, if the subsidiary was founded in order to circumvent the sanctions or if the subsidiary takes over supplies that were provided by the German parent or subsidiaries located in the EU prior to the imposition of the export bans*" (as translated). However, according to the Ministry, in particular, the mere fact that a German parent company provides certain basic services to the foreign subsidiary that have no connection to the specific business decisions that may be relevant to EU sanctions (such as IT and accounting services) and that do not in themselves constitute technical assistance shall "*not be sufficient for such attribution*" (as translated).

### **Dual-use goods and technology**

By Council Regulation (EU) No. 2022/328 of 25 February 2022, the EU extended the existing restrictions with respect to dual-use goods and technology.

The new sanctions include a prohibition on the sale, supply, transfer or export of any dual-use goods and technology to any natural or legal 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.

The prohibition also applies to the provision of technical assistance, brokering services and other services as well as of financing or financial assistance related to the listed goods and technology.

Certain exceptions apply in cases of non-military use and non-military end-users, *inter alia*, for sales, exports *etc.* for humanitarian or medical purposes, software updates or for use as consumer communication devices.

Furthermore, the competent authorities in the Member States of the EU may, under certain circumstances, grant authorisations, *inter alia*, in cases of non-military use and non-military end-users if the sale, export *etc.* is intended for civilian non-publicly available electronic communications networks which are not the property of an entity that is publicly controlled or with over 50% public ownership, for the exclusive use of entities owned by – among others – EU entities or, where relevant authorisations were requested before 1 May 2022, if goods *etc.* are due under contracts concluded before 26 February 2022.

The [Frequently Asked Questions](#) published by the European Commission also address the export-related restrictions concerning dual-use goods and technology. These FAQs confirm that in addition to the requirements under

Council Regulation (EU) No. 833/2014 (as amended by, *inter alia*, Council Regulation (EU) 2022/328) the requirements under the EU Dual-Use Regulation (Council Regulation (EU) No. 2021/821) also need to be complied with where the export, sale *etc.* of dual-use goods is concerned.

### ***Prohibition on public financing or financial assistance for trade with or investment in Russia***

By Council Regulation (EU) No. 2022/328 of 25 February 2022, the EU imposed a prohibition on providing public financing or financial assistance for trade with, or investment in, Russia.

Certain exceptions apply, such as in relation to binding financing or financial assistance commitments established prior to 26 February 2022 or, under certain circumstances, in relation to financing up to EUR 10 million per project.

### ***Public or concession contracts***

By Council Regulation (EU) 2022/576, the EU introduced a prohibition on awarding or continuing the execution of any public or concession contract falling within the scope of the EU public procurement Directives as well as a large part of the public procurement or concession contracts excluded from their scope to or with (1) a Russian national, or a natural or legal person, entity or body established in Russia, (2) a legal person, entity or body whose proprietary rights are directly or indirectly owned for more than 50% by an entity established in Russia, or (3) a natural or legal person, entity or body acting on behalf or at the direction of the aforementioned entities (including, where they account for more than 10% of the contract value, subcontractors, suppliers or entities whose capacities are being relied on within the meaning of the EU public procurement Directives).

An exception applies to the execution until 10 October 2022 of contracts concluded before 9 April 2022.

In addition, EU Member States may authorise the award and continued execution of contracts under certain limited circumstances, such as, *inter alia*, if it is intended for (1) the provision of strictly necessary goods or services which can only be provided, or which can only be provided in sufficient quantities, by persons or entities falling within the scope of the prohibition, (2) the purchase, import or transport of natural gas and oil, including refined petroleum products, as well as titanium, aluminium, copper, nickel, palladium and iron ore from or through Russia into the EU (unless such activities are otherwise prohibited under Council Regulation (EU) No. 833/2014, as amended), or (3) the purchase, import or transport into the EU of certain listed coal and other solid fossil fuels until 10 August 2022.

In its [Frequently Asked Questions](#), the European Commission addresses several aspects concerning the prohibition regarding public procurement and concession contracts. It states, *inter alia*, that for determining whether there is more than 50% Russian ownership of an entity, "if the Russian participation is partial, a proportion should be calculated and summarised as needed, even if the partial ownership comes from different ownership levels," so that "if a tenderer is owned by 30% by a Russian citizen and 70% by an EU company, which is owned by 40% by a Russian entity, the tenderer is owned for 58% by covered entities and should be excluded."

## ***Prohibition on supporting Russian state-owned or state-controlled entities or bodies under EU, Euratom and EU Member State programmes***

By Council Regulation (EU) 2022/576, the EU introduced a prohibition on providing direct or indirect support, including financing and financial assistance or any other benefit under an EU, Euratom or EU Member State national programme and contracts within the meaning of Regulation (EU, Euratom) 2018/1046, to any legal person, entity or body established in Russia with over 50% public ownership or public control.

Certain limited exceptions apply, such as, *inter alia*, to (1) humanitarian purposes, (2) the operation, maintenance, decommissioning and radioactive waste management, fuel supply and retreatment and safety of civil nuclear capabilities or (3) climate and environmental programmes, with the exception of support in the context of research and innovation.

### ***Russian Media***

The EU imposed a prohibition for operators to broadcast or to enable, facilitate or otherwise contribute to broadcast, any content by the following bodies, including through transmission or distribution by any means such as cable, satellite, IP-TV, internet service providers, internet video-sharing platforms or applications:

- RT- Russia Today English (as of 2 March 2022)
- RT- Russia Today UK (as of 2 March 2022)
- RT - Russia Today Germany (as of 2 March 2022)
- RT - Russia Today France (as of 2 March 2022)
- RT- Russia Today Spanish (as of 2 March 2022)
- Sputnik (as of 2 March 2022)
- Rossiya RTR / RTR Planeta (as of 25 June 2022)
- Rossiya 24 / Russia 24 (as of 25 June 2022)
- TV Centre International (as of 25 June 2022)

In addition, the suspension of any broadcasting licence or authorisation, transmission and distribution arrangement with those entities is required.

By Council Regulation (EU) No. 2022/879 of 3 June 2022, the EU introduced a prohibition on advertising products or services in any content produced or broadcast by the listed entities, including through transmission or distribution by any means such as cable, satellite, IP-TV, internet service providers, internet video-sharing platforms or applications.

In its [Frequently Asked Questions](#), the European Commission states, *inter alia*, that the aforementioned prohibition applies to any person, entity or body "exercising a commercial or professional activity that broadcasts or enables, facilitates or otherwise contributes to broadcast the content at issue."

Furthermore, it states that the field of application of the prohibition goes beyond the mere broadcasting of TV stations and also covers the dissemination of content through other means such as a website, covering also caching services, search engines, social media or hosting service providers whose services can be used to disseminate content from the

targeted entities. **In addition, it states that, as the prohibition applies not only to the broadcasting activities themselves, but also to those activities enabling, facilitating or otherwise contributing to the broadcast of any content by the listed bodies, also making available satellite capacities enabling companies in a third country to broadcast content of the listed bodies is prohibited.**

### ***DNR and LNR regions***

By Council Regulation (EU) No. 2022/263 of 23 February 2022, the EU imposed wide-ranging sanctions on the DNR and LNR regions, largely mirroring existing EU sanctions on Crimea/Sevastopol.

These sanctions include, in particular, trade and investment restrictions concerning those territories relating to the export and import of goods, technology, real estate, tourism *etc.*

By Council Regulation (EU) No. 2022/626, the EU introduced specific exceptions for certain defined categories of bodies, persons, entities, organisations and agencies with respect to the supply *etc.* of goods and the provision of technical assistance, services and financing necessary exclusively for humanitarian purposes in the DNR and LNR regions. In addition, the EU introduced specific abilities for EU Member States to authorise the supply *etc.* of goods and the provision of technical assistance, services and financing under other circumstances if necessary for exclusively humanitarian purposes in the DNR and LNR regions.

In its [Frequently Asked Questions](#), the European Commission states that, with respect to the restriction on the import of goods from the DNR and LNR regions, the prohibition covers all areas of the DNR and LNR regions that are not under the control of the authorities of Ukraine at the time of the import of the goods, so that, "*considering the fluid situation, a dynamic assessment could be necessary.*"

### ***Restrictions of visa policy***

By Council Decision (EU) No. 2022/333 of 25 February 2022, the EU partially suspended the application of an agreement between the EU and Russia facilitating the issuance of visas. Russian diplomats, other Russian officials and Russian businesspeople are no longer able to benefit from visa facilitation provisions which allow privileged access to the EU.

### ***Sanctions against Belarus***

By Council Regulation (EU) No. 2022/355, which amended Council Regulation (EC) No.765/2006, and which was published on 2 March 2022, the EU introduced further restrictions related to the trade of:

- dual-use goods;
- goods and technology which might contribute to the Belarusian military, technological, defence and security development;
- goods used for the production or manufacturing of tobacco products;
- mineral, potash, wood, cement, iron and steel, and rubber products; and
- certain machinery.

In addition to the exclusion of the listed Belarusian banks from the SWIFT messaging system, by Council Regulation (EU) No. 2022/398 of 9 March 2022 and Council Regulation (EU) 2022/577, the EU extended the existing

restrictive measures against Belarus by introducing additional sanctions similar to the sanctions against Russia, including in particular:

- a prohibition on transactions related to the management of reserves as well as of assets of the Central Bank of Belarus, including transactions with any entity / body acting on behalf / at the direction of the Central Bank of Belarus;
- a provision on public financing for trade with and investment in Belarus;
- a prohibition on listing and providing services as of 12 April 2022 on trading venues registered or recognised in the EU for the transferable securities of any entity established in Belarus with over 50% public ownership;
- a prohibition on accepting deposits exceeding EUR 100,000 from Belarusian nationals, Belarusian residents or entities established in Belarus;
- a prohibition on EU central securities depositories providing relevant services (core services, non-banking-type ancillary services and banking-type ancillary services as defined in the Annex of Council Regulation (EU) No. 909/2014) for transferable securities issued after 12 April 2022 to any Belarusian national or natural person residing in Belarus or any entity established in Belarus;
- a prohibition on selling transferable securities denominated in any official currency of an EU Member State issued after 12 April 2022 or units in collective investment undertakings providing exposure to such securities, to any Belarusian national or natural person residing in Belarus or any entity established in Belarus;
- a prohibition on selling, supplying, transferring or exporting banknotes denominated in any official currency of an EU Member State to Belarus or to any natural or legal person, entity or body in Belarus, including the Belarusian government and the Central Bank of Belarus, or for use in Belarus; and
- a prohibition for any road transport undertaking established in Belarus to transport goods by road within the territory of the EU, including in transit.

By Council Regulation (EU) No. 2022/876 amending Council Regulation (EU) No. 765/2006, the EU imposed an asset freeze on an additional of 12 individuals and 8 entities.

### **Other Sanctions**

In a press release on a European Council summit of 23/24 June 2022, the European Council stated that "*work will continue on sanctions, including to strengthen implementation and prevent circumvention.*" In addition, it was reported that there are discussions on introducing a ban on Russian gold imports. Details have not been communicated yet.

The EU has launched an EU-wide operation (so-called "Operation Oscar") aiming at finding and freezing sanctioned assets. The operation involves Europol, the EU judicial authority Eurojust and the border protection agency Frontex. The intention is, in particular, to centralise information on sanctioned individuals, companies and assets allowing a better analysis.

Furthermore, on 25 May 2022, the European Commission proposed to the Member States to add the violation of EU sanctions to the list of so called "EU

crimes" (areas of crime under Article 83 of the Treaty on the Functioning of the European Union). The purpose is to allow setting a common basic standard on criminal offences and penalties across the EU for such violations and to make it easier to investigate, prosecute and punish violations of EU sanctions in all Member States alike. In addition, the European Commission presented a draft Directive on asset recovery and confiscation which, while not limited to such violations, also aims at ensuring the effective tracing, freezing, management and confiscation of proceeds derived from the violation of EU sanctions.

As previously reported, on 22 February 2022, the German government communicated that it would stop the certification of the Nord Stream 2 gas pipeline for the indefinite future, thereby preventing the pipeline from becoming operative.



## POLISH SANCTIONS

In addition to EU sanctions, on 13 April 2022, Poland adopted a separate sanctions regime by way of the Act of 13 April 2022 on special solutions to counteract the aggression against Ukraine and to protect national security (the "Polish Act"), which entered into force on 16 April 2022.

### ***Asset Freeze and Other Measures***

The Polish Act enables creating of a national list of individuals and entities, separate from and in addition to the lists contained in Council Regulations (EU) Nos 2006/765 and 2014/269, to which an asset freeze will be imposed. The Polish list will cover individuals and entities (not included on the EU lists):

- who directly or indirectly support the aggression of Russia against Ukraine, or serious violations of human rights, or repression of civil society and democratic opposition, or whose activities pose other serious threats to democracy or the rule of law in Russia or Belarus; or
- who are associated directly with the above-mentioned individuals or entities, in particular by personal, organisational, economic or financial links or the likelihood of use of their funds, resources or economic resources to this purpose.

The Polish Act also introduces an exclusion from public procurement proceedings and competitions of individuals and entities on the Polish list or on the lists contained in the Council Regulations (EU) Nos 2006/765 and 2014/269, or any entities whose beneficial owners or parent entities are entered on the Polish or EU lists. Violation of this prohibition is subject to a penalty of up to PLN 20,000,000.

Individuals entered on the Polish list will also be included on a list of foreigners whose presence in Poland is undesired.

On 26 April 2022, the Polish Minister of the Interior and Administration published [the Polish list](#) imposing the following measures:

- an asset freeze, a prohibition of making available of funds and economic resources, and an exclusion from public procurement proceedings and competitions targeting the following 22 companies: AXIOMA DR IT sp. z o.o., BARTER COAL sp. z o.o., BELOIL Polska sp. z o.o., EUROCHEM POLSKA sp. z o.o., FABERLIC BALTIJA SIA sp. z o.o. Oddział w Polsce, FABERLIC EUROPE sp. z o.o., GO SPORT POLSKA sp. z o.o., IRL Polska sp. z o.o., KASPERSKY (KASPERSKY LAB), KTK Polska sp. z o.o., MAGA DYSTRYBUCJA 2 sp. z o.o., MAGA FOODS sp. z o.o., MEDMIX POLAND sp. z o.o. (until 3 March 2022 under the name SULZER MIXPAC POLAND sp. z o.o.), Novatek Green Energy sp. z o.o., PhosAgro POLSKA sp. z o.o., SEVERSTAL DISTRIBUTION sp. z o.o., SIA SEVERSTAL DISTRIBUTION sp. z o.o. Oddział w Polsce, SUEK Polska sp. z o.o., SULZER PUMPS WASTEWATER POLAND sp. z o.o., SULZER TURBO SERVICES POLAND sp. z o.o., WILDBERRIES sp. z o.o., 1C-POLAND sp. z o.o.;
- an asset freeze, and a prohibition of making available of funds and economic resources targeting the following 6 companies: ACRON PAO, KAMAZ, NEGRINIO LIMITED, OAO NOVATEK, OAO PhosAgro, PHOSINT LIMITED;

- an exclusion from public procurement proceedings and competitions targeting the following 3 companies: KASPERSKY Lab Polska sp. z o.o., Kaspersky Store sp. z o.o., K Dystrybucja sp. z o.o.;
- a freeze of rights attached to shares and other securities and a freeze of dividends targeting the following 4 companies: NORICA HOLDING Sàrl, Opansa Enterprises Limited, PAO Gazprom, Rainbee Holdings Limited;
- an asset freeze, a prohibition of making available of funds and economic resources, an inclusion on a list of foreigners whose presence in Poland is undesired targeting the following 7 individuals: Tatiana Bakalczuk (Tatyana Bakalchuk), Sait-Salam Gucerjew, Jewgienij Kaspierowski (Yevgeny Kaspersky), Aleksandra Melniczenko (Melnichenko), Boris Nuraliev, Timur Raszidow (Rashidov), Victor Vekselberg; and
- inclusion of the following 8 individuals on a list of foreigners whose presence in Poland is undesired: Oleg Deripaska, Michaił (Mikhail) Fridman, Michaił (Mikhail) Gucerjew, Wiaczesław Mosze (Viatcheslav Moshe) Kantor, Andriej Melniczenko (Andrey Melnichenko), Aleksiej Mordaszow (Alexei Mordashov), Aleksiej Nieczajew (Alexy Gennadyevich Nechayev), Igor Iwanowicz Sieczin (Igor Ivanovich Sechin).

On 13 May 2022, the Polish Minister of the Interior and Administration extended the Polish list by imposing an asset freeze and a prohibition of making available of funds and economic resources targeting Alexey (Alexy) Belov.

### **Coal**

The Polish Act introduces a prohibition on importing and transferring through Poland of coal (commodity codes 2701 or 2704 as defined under the rules of the Common Customs Tariff and Combined Nomenclature) originating from either Russia or Belarus.

Violation of the above prohibition is subject to a penalty of up to PLN 20,000,000 and imprisonment of not less than 3 years.

Entities affected by the above prohibition will be entitled to compensation for actual damage, to be specified in a separate act.

## **JAPANESE SANCTIONS**

Since 2014, the Ministry of Finance Japan and the Ministry of Economy, Trade and Industry have imposed sanctions against Russia and certain Russian financial institutions as well as the Autonomous Republic of Crimea and Sevastopol.

On 26 February 2022, Japan imposed:

- an asset freeze targeting 24 "self-proclaimed" officials of the DNR and LNR;
- a prohibition on the import of certain goods and services from the DNR and LNR (unless specifically endorsed by the Japanese government), excluding goods shipped by 26 February 2022;
- a prohibition on the issuance, offering and distribution of new sovereign bonds and other securities issued by the Government of the Russian Federation; the Government Agencies of the Russian Federation; and the Central Bank of the Russian Federation, as well as the provision of services related to these activities (unless expressly permitted by the Japanese government); and
- a prohibition on the issuance and offering of securities (except for securities redeemed within 30 days) issued by: Sberbank; VTB Bank; Vnesheconombank; Gazprombank; and Russian Agricultural Bank (unless expressly permitted by the Japanese government).

On 1 March 2022, Japan imposed:

- an asset freeze targeting the Central Bank of the Russian Federation and six Russian officials including: President Putin; Sergey Lavrov (Minister of Foreign Affairs); Sergey Shoygu (Minister of Defence); Valery Gerasimov (Chief of the General Staff of the Armed Forces, First Deputy Defence Minister); Nikolai Patrushev (Secretary of the Security Council); and Dmitry Medvedev (Deputy Chairman of the Security Council).

On 3 March 2022, Japan imposed:

- an asset freeze targeting 18 Russian officials, two organisations related to the Belarus government, seven Belarusian officials, and 30 "self-proclaimed" officials of the DNR and LNR.

On 5 March 2022, Japan imposed:

- stricter export controls on certain goods and services listed in the Multilateral Export Control Regime, including on semiconductors, to Russia.

On 8 March 2022, Japan imposed:

- a prohibition on receipt of payments, payments (including payments by crypto-assets), loans or guarantees, relating to the export of goods contributing to the strengthening of Russia's military capabilities to 49 organisations designated as "specific organisations of the Russian Federation"; and
- an asset freeze targeting 20 individuals and two organisations related to the Russian government as well as 12 individuals and 10 organisations related to the Belarus government.

On 10 March 2022, Japan imposed:

- stricter export controls on certain goods and services listed in the Multilateral Export Control Regime, including on semiconductors, to Belarus.

On 14 March 2022, Japan issued guidance:

- stating that it is prohibited to transfer crypto-assets to persons and organisations that are the target of an asset freeze (a "**Japanese Sanctioned Target**"); and
- requesting Crypto-Assets Exchange Service Operators ("**CAESOs**") that are registered under the Payment Services Act of Japan:
  - to cease processing transfers of crypto-assets to those who are, or suspected of being, a Japanese Sanctioned Target (until it is confirmed otherwise);
  - to file with the Financial Services Agency of Japan, Ministry of Finance of Japan: (a) reports of identified crypto-asset trades to a Japanese Sanctioned Target; and (b) notifications of suspected crypto-asset trades to, or related to, a Japanese Sanctioned Target; and
  - to enhance their monitoring systems.

On 15 March 2022, Japan imposed:

- a prohibition on receipt of payments (including payments by crypto-assets), loans or guarantees, relating to the export of goods to (1) the Ministry of Defence of the Republic of Belarus, and (2) JSC Integral; and
- an asset freeze targeting the following 17 individuals related to the Russian government: Yuriy (Yury) Afonin; Yevgeny (Evgeny) Bessonov; Leonid Kalashnikov; Vladimir Kashin; Nikolay (Nikolai) Kolomeitsev; Aleksey Kurinniy; Ivan Melnikov; Dmitriy Novikov; Nikolay Osadchii (Osadchii); Kazbek Taysaev (Taisaev, Taisayev); Gennady (Gennadiy) Zyuganov; Viktor Vekselberg; Kirill (Kyrylo) Kovalchuk; Boris Kovalchuk; Kira Kovalchuk; Stepan Kovalchuk; and Tatiana (Tatyana) Kovalchuk.

On 18 March 2022, Japan imposed:

- an asset freeze targeting 15 individuals and nine organisations related to the Russian government, including: Maria Zakharova; Aleksey (Alexei) Krivoruchko; Timur Ivanov; Yunus-Bek Evkurov (Yevkurov); Dmitry Bulgakov; Yuriy (Yuri) Sadovenko; Nikolay (Nikolai) Pankov; Ruslan Tsalikov; Gennady Zhidko; Domitry Shugaev (Shugayev); Igor Kostyukov; Aleksander (Alexander) Mikheev; Marina Sechina; Suleyman Kerimov; Andrei Skoch; Rosneft Aero (RN AERO); JSC Rosoboronexport; JSC NPO High Precision Systems; JSC Kurganmashzavod; Russian Helicopters JSC; PJSC United Aircraft Corporation; JSC United Shipbuilding Corporation; JSC Research and Production Corporation Uralvagonzavod; and JSC Zelenodolsk Shipyard;
- a prohibition on the export of certain goods and services listed in the Multilateral Export Control Regime, including on machine tools, carbon fibres, high-spec semiconductors, to Russia and Belarus (unless specifically endorsed by the Japanese government);

- a prohibition on the export of goods contributing to the strengthening of Russian/Belarusian military capabilities, including on general-purpose semiconductors, PCs and communication devices, to Russia and Belarus (unless specifically endorsed by the Japanese government);
- a prohibition on the export to Russia of certain goods including facilities for petroleum processing (unless specifically endorsed by the Japanese government);
- a prohibition on the export of certain goods and services to certain organisations of the Russian government and Belarusian government (unless specifically endorsed by the Japanese government); and
- a prohibition on the export of certain goods and services to the DNR and LNR (unless specifically endorsed by the Japanese government).

The Japanese government issued guidance stating that these exports in general will not be endorsed. There are very few exceptions which need to satisfy certain specified criteria.

On 25 March 2022, Japan imposed:

- an asset freeze targeting 25 individuals related to the Russian government.

On 28 March 2022, Japan imposed:

- an asset freeze targeting Bank Rossiya.

On 31 March 2022, Japan imposed:

- an asset freeze targeting Promsvyazbank and VEB.RF.

On 1 April 2022, Japan imposed:

- a prohibition on the export of certain goods and services to 81 organisations related to the Russian government (unless specifically endorsed by the Japanese government).

On 2 April 2022, Japan imposed:

- an asset freeze targeting VTB Bank, Sovcombank, Novikombank and Otkritie.

On 5 April 2022, Japan imposed:

- a prohibition on the export of certain luxury goods, such as alcohol, to Russia.

On 10 April 2022, Japan imposed:

- an asset freeze targeting Belagroprombank, Bank Dabrabyt and Development Bank of the Republic of Belarus.

On 12 April 2022, Japan imposed:

- an asset freeze targeting 398 individuals and 26 organisations related to the Russian government.

On 19 April 2022, Japan imposed:

- a prohibition on the import into Japan of certain goods from Russia, including alcohol, timber and machinery (unless specifically endorsed by the Japanese government), excluding imports pursuant to contracts entered into by 18 April 2022.

On 21 April 2022, Japan:

- revoked Russia's "most-favoured-nation" status in respect of the import into Japan of various goods (including inter alia animals, foods processed by animals or plants, mineral products, chemical products, plastic products, rubber products, leather products, metals, spinning fibre and products thereof) until 31 March 2023.

On 10 May 2022, Japan imposed:

- an asset freeze targeting eight individuals related to the Russian government and 133 "self-proclaimed" officials of the DNR and LNR.

On 12 May 2022, Japan imposed:

- an asset freeze targeting Sberbank and Alfa-bank; and
- a prohibition on new foreign outward direct investment into: (i) business conducted in Russia; or (ii) Russian entities or entities outside of Russia which are effectively controlled by Russian entities.

On 17 May 2022, Japan imposed:

- a prohibition on the export of certain goods and services to 71 organisations related to the Russian government (unless specifically endorsed by the Japanese government).

On 20 May 2022, Japan:

- expanded the prohibition on the export to Russia of certain petroleum processing goods initially imposed on 18 March 2022, to include catalysts for petroleum processing; and
- imposed a prohibition on the export to Russia of certain advanced technologies such as quantum computers, electron microscopes, 3D printers and related technologies (unless specifically endorsed by the Japanese government).

On 17 June 2022, Japan imposed:

- a prohibition on the export to Russia of certain goods that may contribute to the industrial infrastructure of Russia, including wood products, transportation equipment such as motor trucks and trains, steel storage tanks, electricity generators, transformers, measurement equipment and certain designated tools and machineries (unless specifically endorsed by the Japanese government).

On 5 July 2022, Japan imposed:

- an asset freeze targeting 57 individuals and 6 organisations related to the Russian government and 5 individuals who are considered to be directly involved in the destabilization of eastern Ukraine.

On 7 July 2022, Japan will impose:

- an asset freeze targeting Credit Bank of Moscow, Russian Agricultural Bank (Rosselkhozbank) and Belinvestbank (Belarusian Bank for Development and Reconstruction).

On 12 July 2022, Japan will impose:

- a prohibition on the export of certain goods and services to 65 organisations related to the Russian government and 25 organisations

related to the Belarusian government (unless specifically endorsed by the Japanese government).

On 5 September 2022, Japan will impose:

- a prohibition on the provision of certain trust services, accounting and auditing services and business consulting services to Russia that are commenced on or after 5 September 2022 (unless specifically endorsed by the Japanese government).

Japan has also announced other sanctions that will be imposed, including:

- visa suspensions;
- the exclusion of certain Russian banks from the SWIFT messaging system;
- a restriction on the import into Japan from Russia of certain energy resources such as coal and oil and certain precious metal (gold); and
- a prohibition on the export of certain advanced technologies to Russia.

## **SINGAPOREAN SANCTIONS**

Further to the Ministry of Foreign Affairs' announcement that sanctions on Russia (including export controls on items that can be used as weapons in relation to the Ukrainians) will be imposed, the Regulation of Imports and Exports (Amendment) Regulations 2022 have been issued and are operative as of 16 March 2022.

There must be no exportation from, transshipment in, or transit through, Singapore of any goods falling within the class or description specified in the new Eighth Schedule of the Regulation of Imports and Exports Regulations, if the destination is or intended to be Russia, whether or not the goods originated in Singapore.

The new Eighth Schedule above states that the following are prohibited exports to (including transhipped goods and goods in transit bound for) Russia:

- military goods, being goods specified in any Category Code in Division 2 of Part 1 of the Schedule to the Strategic Goods (Control) Order 2021; and
- dual-use goods specified in Category 3 (Electronics), Category 4 (Computers) or Category 5 (Telecommunications and "Information Security") in Division 2 of Part 2 of the Schedule to the Strategic Goods (Control) Order 2021.

Further to the Ministry of Foreign Affairs' announcement on 5 March 2022 that sanctions will be imposed in Singapore, the Monetary Authority of Singapore ("**MAS**") has issued the following notices which are effective from 14 March 2022:

- Notice SNR-N01 Financial Measures in Relation to Russia; and
- Notice SNR-N02 Financial Measures in Relation to Russia – Non-prohibited Payments and Transactions.

The MAS Notices contain financial measures targeted at designated Russian banks and entities, certain activities in Russia and fundraising activities benefiting the Russian government. These measures apply to all financial institutions in Singapore, including banks, finance companies, insurers, capital markets intermediaries, securities exchanges, and payment service providers. Digital payment token service providers are therefore specifically prohibited from facilitating transactions that could aid the circumvention of the financial measures.

Financial institutions are:

- prohibited from dealing with any Designated Bank or Designated Entity (including establishing business relations with, undertaking any transaction for or entering into any financial transaction with them).
- required immediately to freeze all funds and assets owned or controlled by a Designated Bank or Designated Entity.
- prohibited from entering into financial transactions or providing financial assistance in relation to the export from, transshipment in or transit through, Singapore or any other jurisdiction to Russia of: (1) any item specified in any Category Code in the List of Military Goods set out in Division 2 of Part 1 of the Schedule to the Strategic Goods (Control) Order 2021; or (2) any item specified in any Category Code under Category 3 (Electronics),



Category 4 (Computers) or Category 5 (Telecommunications and Information Security) in the List of Dual-Use Goods in Division 2 of Part 2 of the Schedule to the Strategic Goods (Control) Order 2021.

- prohibited from entering into financial transactions or providing financial assistance or services, *etc.*, in relation to securities or certificates of deposit and the making of new loans and credit for the Russian Government, the Central Bank of the Russian Federation and any person or legal arrangement that is owned or controlled by them. The prohibition does not apply to loans or credit that have a specific and documented objective of making funds available for trade which does not involve the export from, transshipment in or transit through, Singapore or any other jurisdiction to Russia of the items above.
- prohibited from entering into financial transactions or providing financial assistance or services, *etc.*, in relation to the regions of Donetsk and Luhansk in the following sectors: (1) transport; (2) telecommunications; (3) energy; and (4) prospecting, exploration and production of oil, gas and mineral resources.
- prohibited from entering into or facilitating any digital payment token transaction where the proceeds or benefits from such transaction may be used to facilitate any of the transactions or activities prohibited above.
- required immediately to inform the MAS of any fact or information about any transaction, proposed transaction, act or thing prohibited by the above.

The Designated Banks are (1) VTB Bank Public Joint Stock Company, (2) The Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank; (3) Promsvyazbank Public Joint Stock Company; and (4) Bank Rossiya, and all entities owned or controlled by them.

Currently the list of Designated Entities has not been published by the MAS.

Financial institutions may continue to process the following payments for Designated Banks and/or Designated Entities:

- basic expenses and reasonable fees for certain services such as insurance premiums, employee allowances and contributions, tax and utility charges.
- exclusively for the payment of fees or service charges imposed for the routine holding or maintenance of frozen funds or assets or reasonable professional fees and associated expenses for the provision of audit, tax, legal or payroll services.
- in relation to Designated Banks, certain "specified transactions" such as:
  - transactions to facilitate a person's withdrawal of funds or assets pursuant to the termination of existing business relations between the person and the Designated Bank, for the benefit of the person (where such person is not a Designated Bank); and
  - any transaction in relation to any funds or assets which are necessary for the performance of the functions of the Embassy of the Russian Federation in Singapore.

### **Export controls**

The Singapore Strategic Goods Control System regulates the transfer (export, transit, and transshipment) of strategic goods which are generally military

weapons or their parts as well as high technology goods which could be used for both commercial and military purposes. Items subject to strategic goods control are listed in the Strategic Goods (Control) Order (SGCO) 2021.

In order to constrain Russia's capacity to conduct its war in Ukraine and cyber aggression, all permit applications to Russia involving (1) all items on the List of Military Goods under the SGCO; and (2) all category codes under Category 3 - Electronics, Category 4 - Computers and Category 5 – Telecommunications and "Information Security" on the List of Dual-Use Goods under the SGCO will be rejected.

### ***Financial measures***

Financial institutions in Singapore will be prohibited from the following:

- (a) entering into transactions or establishing business relationships with the following Russian banks:
- VTB Bank Public Joint Stock Company;
  - The Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank;
  - Promsvyazbank Public Joint Stock Company; and
  - Bank Rossiya.

Where there are existing business relationships, financial institutions must freeze any assets and funds of these four banks.

- (b) providing financing or financial services in relation to the export from Singapore or any other jurisdiction of goods subject to Singapore's export controls on Russia. These goods comprise all items in the Military Goods List and specified categories in the Dual-Use Goods List of the Strategic Goods (Control) Order 2021.
- (c) providing financial services in relation to designated Russian non-bank entities which are involved in activities in (b). Where there are existing business relationships, financial institutions must freeze any assets and funds of these designated entities. Details on the designation of non-bank entities will be provided subsequently.
- (d) entering into transactions or arrangements, or providing financial services that facilitate fund raising by:
- the Russian government;
  - the Central Bank of the Russian Federation; or
  - any entity owned or controlled by them or acting on their direction or behalf.

The prohibitions apply to buying and selling new securities, providing financial services that facilitate new fund raising by, and making or participate in the making of any new loan to the above entities.

The Singapore Government and Monetary Authority of Singapore will also cease investing in newly issued securities of the above entities.

- (e) entering into transactions or providing financial services in relation to the following sectors, in the breakaway regions of Donetsk and Luhansk:
- transport;

- telecommunications;
  - energy; and
  - prospecting, exploration and production of oil, gas and mineral resources.
- (f) entering into or facilitating any transactions involving cryptocurrencies, to circumvent any of the above prohibitions. The prohibited cryptocurrency transactions cover all transactions that involve cryptocurrencies and extend to the payment and settlement of transactions that relate to digital assets (such as non-fungible tokens).

## **AUSTRALIAN SANCTIONS**

On 23 February 2022, the Australian Government announced it would take immediate action to impose travel bans and targeted financial sanctions on 8 members of Russia's Security Council.

From 25 February 2022, the following persons were added to the Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) List 2014 ("**Sanctions List**"):

### **Designated and declared persons<sup>1</sup>**

- Dmitry Anatolyevich Medvedev
- Yury Yakovlevich Chaika
- Aleksander Vladimirovich Gutsan
- Igor Anatolyevich Komarov
- Anatoly Anatolyevich Seryshev
- Igor Olegovich Shchegolev
- Viktor Vasilyevich Zolotov
- Vladimir Vladimirovich Yakushev

From 25 February 2022, the following entities (including the aforementioned financial institutions) were added to the Sanctions List:

### **Designated Entities<sup>2</sup>**

- Tactical Missiles Corporation
- Kronshtadt
- Promsvyazbank
- Industrial Savings Bank (IS Bank)
- Rostec
- Rosoboronexport
- Genbank
- Black Sea Bank for Development and Reconstruction

The additional 25 people added to the Sanctions List from 25 February 2022 include senior politicians and bureaucrats, associates of the Wanger Group, and senior military personnel.

On 25 February 2022, the Department of Foreign Affairs and Trade announced that Minister Payne intends to specify four entities in addition to those already specified under the *Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015*.

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<sup>1</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) Amendment (No. 1) Instrument 2022.*

<sup>2</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) Amendment (No. 2) Instrument 2022; Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) Amendment (No. 3) Instrument 2022.* These sanctions are in addition to sanctions already in force against Rossiya Bank.

An [exposure draft](#) of the legislative instrument specifies the following 4 entities:

- Cetelem Bank
- Russian Agency for Export Credit and Investment (EXIAR)
- Otkritie Bank
- Russian Direct Investment Fund (RDIF)

If an entity is specified by the Minister, Australians and Australian entities must comply with a range of investment restrictions including directly or indirectly purchasing, selling, or otherwise dealing with, bonds, equity transferrable securities, money market instruments or other similar financial instruments issued by the entity. The Department of Foreign Affairs and Trade noted that the Minister intends to specify the entities in four weeks, allowing a period for those who may hold interests in the entities make the necessary arrangements to comply with the restrictions.

From 25 February 2022, new listing criteria for persons or entities who may be designated or declared under the *Autonomous Sanctions Regulations 2011* ("**Autonomous Sanctions Regulations**") in relation to Russia have come into force to include persons of strategic or economic significance to Russia. These include a person or entity who is, or has been, engaging in an activity or performing a function that is of economic or strategic significance to Russia, a current or former Minister or senior official of the Russian Government, and immediate family members of either.<sup>3</sup>

On 25 February 2022, the Prime Minister announced that Australia would be imposing further sanctions on (1) various individuals whose economic weight is considered to be of strategic significance in Russia and (2) over 300 members of the Russian parliament who voted to authorise the use of Russian troops to invade Ukraine. The Prime Minister also noted that the Australian Government was working with the United States to align with the United States' sanctions on key Belarusian individuals and entities.

From 26 February 2022, the individuals referred to by the Prime Minister were added to the Sanctions List.<sup>4</sup> This included:

- Denis Aleksandrovich Bortnikov
- Vladimir Sergeevich Kiriyenko
- Petr Mikhailovich Fradkov
- Igor Arkadyevich Rotenberg
- Elena Aleksandrovna Georgieva
- Yury Borisovich Slyusar
- Kirill Nikolayevich Shamalov
- Igor Ivanovich Sechin

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<sup>3</sup> *Autonomous Sanctions Amendment (Russia) Regulations 2022.*

<sup>4</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) Amendment (No. 4) Instrument 2022.*

From 27 February 2022, the Belarusian individuals and entities referred to by the Prime Minister on 25 February 2022 were added to the Sanctions List.<sup>5</sup>

From 28 March 2022, amendments to the Autonomous Sanctions Regulations extended existing sanctions that apply to Crimea and Sevastopol to DNR and LNR.<sup>6</sup> The Department of Foreign Affairs and Trade has noted that this period allowed those with interests in the regions to consider whether their activities were captured by the sanctions' measures; and to cease their activities or to apply for a sanctions permit as necessary. The Minister of Foreign Affairs may grant a permit if she considers it in the national interest to do so.

From 28 February 2022, the Australian government [announced](#) that targeted financial sanctions and travel bans came into effect against President Putin, Foreign Minister Lavrov and Defence Minister Shoigu, Prime Minister Mikhail Mishustin, and Internal Affairs Minister Vladimir Kolokoltsev.

The Prime Minister also announced the Australian Government's support for the announcements by the European Commission, France, Germany, Italy, the United Kingdom, Canada, and the United States on further restrictive economic measures against key Russian banks, institutions and individuals, including:

- the removal of selected Russian banks from the SWIFT global payments messaging system;
- restrictive measures to prevent the Russian Central Bank from using its international reserves in a way that undermines sanctions;
- limiting so-called golden passports for wealthy Russians connected to the Russian government; and
- a trans-Atlantic task force to identify and freeze the assets of sanctioned individuals and companies existing within their jurisdictions.

The Australian Government indicated it would take complementary steps as required in relation to the implementation of the SWIFT measures at a global level.

On 2 March 2022, and consistent with other jurisdictions, the 4 entities referred to in the Department of Foreign Affairs and Trade announcement on 25 February 2022, together with other key Russian entities, such as the Central Bank of Russia, were designated for targeted financial sanctions after being added to the Sanctions List.

The entities that were designated were:

- Cetelem Bank
- Russian Agency for Export Credit and Investment (EXIAR)
- Otkritie Bank
- Russian Direct Investment Fund (RDIF)
- Management Company of the Russian Direct Investment Fund
- RVC Management Company

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<sup>5</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 1) Instrument 2022.*

<sup>6</sup> *Autonomous Sanctions Amendment (Ukraine Regions) Regulations 2022.*

- Central Bank of the Russian Federation

This marked a change to the approach previously announced by the Australian Government on 25 February 2022 to specify Cetelem Bank, EXIAR, Otkritie Bank and RDIF for investment restrictions. The Australian Sanctions Office explained the change in approach by saying that targeted financial sanctions impose broader restrictions than investment restrictions and confirmed that the Australian Government will no longer proceed to specify the four entities for investment restrictions.

Investment restrictions however remain in force against the institutions already identified in the *Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015* which include:

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

From 7 March 2022, further individuals and entities were added to the Sanctions List and are now subject to targeted financial sanctions and travel bans.<sup>7</sup> The Sanctions List was expanded to include another 16 individuals, including senior naval and other armed forces personnel, senior politicians and certain identified propagandists. The Armed Forces of the Russian Federation is now also included on the Sanctions List.

From 25 April 2022, Australia will prohibit the import of oil, refined petroleum products, natural gas, coal and other energy products from Russia, pursuant to the Autonomous Sanctions (Import Sanctioned Goods—Russia) Designation 2022 registered on 11 March 2022. The 45 days' notice period before the ban comes into effect is intended to facilitate the compliance of Australian businesses who have existing contracts for the import of these goods. As a result of the designation of these goods, it will also be prohibited pursuant to the Autonomous Sanctions Regulations to provide financial assistance or a financial service if it assists with, or is provided in relation to, their import.

On 13 March 2022, the Australian Government made further updates to the Sanctions List to extend targeted financial sanctions and travel bans to an additional 33 persons.<sup>8</sup> The new additions include Russian oligarchs and

<sup>7</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Russia and Ukraine) Amendment (No. 4) Instrument 2022; Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Russia and Ukraine) Amendment (No. 5) Instrument 2022.*

<sup>8</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 6) Instrument 2022.*

executives of various entities (some of which had been previously designated by the Government) such as energy companies, financial institutions and state-owned defence entities. Also included were family members of individuals already identified on the Sanctions List, including the immediate relations of senior politicians and other individuals of strategic significance to Russia due to their amassed personal wealth and links to President Putin.

On 17 March 2022, the Sanctions List was further updated (effective 18 March 2022) to include 2 additional oligarchs with links to business interests in Australia who are the subject of targeted financial sanctions and travel bans.<sup>9</sup> The oligarchs – Viktor Veksleberg and Oleg Deripaska – were already the subject of sanctions in other jurisdictions. Eleven entities (including financial institutions, the Russian National Wealth Fund and the Ministry of Finance of the Russian Federation) were also designated for targeted financial sanctions as part of the update.<sup>10</sup> Five of the banks included in this latest update were already specified under the *Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015* with the effect that these particular entities will continue to be subject to investment restrictions (provided for by the Specification) over and above the new targeted financial sanctions.

Taking effect from 20 March 2022, the Australian Government has imposed a ban on Australian exports of alumina, aluminium ores (including bauxite) and related products to (or for the benefit of) Russia.<sup>11</sup> The designation of these products as export sanctioned goods is intended to limit Russia's capability to produce aluminium as Russia relies on Australia for almost 20% of its alumina needs. The Department of Foreign Affairs and Trade noted that the designated goods are key components in the manufacture and development of weapons. The Minister for Foreign Affairs announced that the Government will work with exporting entities impacted by the ban.

On 24 March 2022, further updates were made to the Sanctions List, which took effect from 25 March 2022.<sup>12</sup> Targeted financial sanctions and travel bans were imposed on 45 additional individuals including Belarusian President Alexander Lucashenko and members of his family, as well as senior Belarusian armed forces personnel and bureaucrats of Belarus and Russia as a result of Belarus' strategic significance to Russia. This tranche of designations also extends targeted financial sanctions to various individuals identified as Russian propagandists and disinformation operatives such as senior editors from organisations including Russia Today, the Strategic Culture Foundation, InfoRos and NewsFront.

On 5 April 2022, the Australian Government announced further export sanctions to commence on 7 April 2022 with a view to target President Putin's 'wealthy enablers.' From this date, the supply, sale or transfer of certain luxury goods directly or indirectly to, for use in, or for the benefit of Russia will be prohibited.<sup>13</sup> The designated luxury goods include consumables such as wine, tobacco and certain delicacy foods, high-value cosmetics, fabrics, garments,

<sup>9</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 7) Instrument 2022.*

<sup>10</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 8) Instrument 2022.*

<sup>11</sup> *Autonomous Sanctions (Export Sanctioned Goods—Russia) Designation 2022.*

<sup>12</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 9) Instrument 2022;*  
*Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 10) Instrument 2022.*

<sup>13</sup> *Autonomous Sanctions (Export Sanctioned Goods—Russia) Amendment (No.1) Designation 2022.*



jewellery, homewares and luxury vehicles (and their parts), as well as various leisure items such as sporting goods and pure-bred horses. The ban follows the existing sanctions of the same nature imposed by the European Union and the United States, as well as those anticipated by Japan and the United Kingdom.

These expanded export sanctions shortly follow the Australian Government's non-sanctions economic measure relating to import tariffs. Effective 25 April 2022, Australia will revoke Russia and Belarus' entitlement to the Most-Favoured Nation (MFN) tariff status with the effect that all imports from Russia and Belarus will be subject to a further tariff of 35% (in addition to the general duty rates currently in force).

On 7 April 2022, a further 67 persons were added to the Sanctions List for targeted financial sanctions and travel bans (taking effect 8 April 2022).<sup>14</sup> Included in this round of designations are Russian military official Colonel-General Mikhail Mizintsev, Deputy Prime Minister Dmitry Grigorenko and other senior Russian government officials reportedly involved in war crimes, and members of the Ukrainian Parliament working to undermine the Ukrainian Government. The additions also include executive and non-executive officers across a range of entities and sectors such as financial institutions, investment companies and entities in the energy and resources, agriculture, transportation and manufacturing industries. Some of the entities themselves have previously been designated under separate instruments, and the new designations also include family members of already-sanctioned individuals.

On 14 April 2022, the Australian Government added 14 further entities considered of economic and strategic importance to Russia to the Sanctions List.<sup>15</sup> As a result, targeted financial sanctions have been imposed on Russian state-owned enterprises including defence-related entities (such as shipping and transportation), a major railway corporation, as well as companies across electronics production, energy (including oil and hydroelectricity), digital services, mining and insurance industries. These additions include Transneft and Gazprom, entities which were already specified under the *Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015* and which will continue to be subject to the existing sanctioned commercial activity restrictions provided for by the Specification.

On 21 April 2022, a further 147 persons were added to the Sanctions List for targeted financial sanctions and travel bans, effective 22 April 2022.<sup>16</sup> The designations comprise of Russian Senators of the Federation Council of the Federal Assembly who approved the Russian Government's recognition of the Donetsk People's Republic and Luhansk People's Republic in violation of Ukrainian sovereignty. Two daughters of President Putin and a daughter of Russian Foreign Minister Sergei Lavrov have also been designated as part of the update.

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<sup>14</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 11) Instrument 2022.*

<sup>15</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 12) Instrument 2022.*

<sup>16</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 13) Instrument 2022.*

As of 4 May 2022, a further 110 individuals were added to the Sanctions List.<sup>17</sup> Targeted financial sanctions and travel bans have been placed on Ukrainian separatists in leadership roles who have asserted governmental authority over areas of Ukraine, as well as Russian members of parliament who voted in favour of Russia's recognition of the so-called Donetsk People's Republic and Luhansk People's Republic. Oleg Matveichev, a Member of the State Duma of the Federal Assembly of the Russian Federation, has also been included in this round of designations which the Australian Government had indicated is due to his propaganda and disinformation activities relating to the invasion of Ukraine.

On 17 May 2022, a total of 15 individuals and 15 entities were added to the Sanctions List (taking effect 18 May 2022).<sup>18</sup> The designations include senior officials of the Russian Government, active participants in the Russian Government's disinformation and propaganda efforts as well as other persons deemed to be of economic or strategic significance to Russia. For example, among the designations are two Belarusian defence enterprises equipping the Armed Forces of Belarus, as well as the private military company known as Wagner supporting Russian-backed separatists in the so-called People's Republics of Donetsk and Luhansk.

In addition to autonomous sanctions measures, on 17 May 2022 Australia's Foreign Minister also listed ultra-nationalist terror group, the Russian Imperial Movement, under the counter-terrorism sanctions regime.<sup>19</sup> Pursuant to the *Charter of the United Nations (Dealing with Assets) Regulations 2008* and UNSC Resolution 1373 (2001), the Russian Imperial Movement is now subject to targeted financial sanctions as a result of its involvement in the Ukraine-Russia conflict.

On 30 June 2022, an additional 16 individuals were added to the Sanctions List for targeted financial sanctions and travel bans (effective 1 July 2022).<sup>20</sup> The new listings include relatives of President Putin as well as senior personnel of financial institutions, private media companies, defence contractors and entities in the gas, insurance, real estate and private equity industries deemed to have engaged in activities and functions of economic or strategic significance to Russia. Various Ministers of the Russian Government have also been added.

On 4 July 2022, the Prime Minister's office issued a media release stating that Australia will prohibit imports of Russian gold. An instrument to this effect is anticipated shortly and will align Australia with similar actions taken by other jurisdictions, including Canada, Japan, the United Kingdom and United States.

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<sup>17</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 14) Instrument 2022*; *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 15) Instrument 2022*.

<sup>18</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 16) Instrument 2022*; *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 17) Instrument 2022*.

<sup>19</sup> *Charter of the United Nations (Listed Entities) Amendment (No. 2) Instrument 2022*.

<sup>20</sup> *Autonomous Sanctions (Designated Persons and Entities and Declared Persons—Russia and Ukraine) Amendment (No. 18) Instrument 2022*.

## **SANCTIONS BY UKRAINE**

*Contributed by Olexiy Soshenko, Managing Partner, and Olesia Mykhailenko, Counsel, Redcliffe Partners. Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.*

### **Financial Sanctions**

Starting from 24 February 2022, the National Bank of Ukraine:

- prohibited Ukrainian banks to process any transactions in Russian rubles and Belarusian rubles;
- prohibited Ukrainian banks to process any transactions (1) which involve a person which is registered in or resides in the Russian Federation or the Republic of Belarus; (2) which result in the performance of obligations due to such person; or (3) which involve payments at the instruction of Ukrainian companies whose ultimate beneficial owners are residents of the Russian Federation or the Republic of Belarus, except for, in all cases, payment in Ukraine of taxes, salaries, and certain other exceptions;
- cancelled the banking licence and ordered for liquidation of JSC "International Reserve Bank" (controlled by Sberbank of Russia) and JSC "Prominvestbank" (controlled by Russian State Development Corporation "WEB.RF"); and
- prohibited money transfers from the Russian Federation and the Republic of Belarus to Ukraine and usage of any debit and credit cards issued by Russian or Belarusian banks on the territory of Ukraine.

### **Assets Confiscation**

On 3 March 2022, the Parliament of Ukraine adopted a law No. 2116-IX "On Basic Principles of Confiscation of Assets of Russian Federation and Its Residents in Ukraine." The law allows the Security Council of Ukraine and the President of Ukraine (based on the proposals of the Cabinet of Ministers of Ukraine) to decide on the confiscation of:

- any immovable and movable assets, money, funds on bank accounts, securities, shares and other corporate rights as well as any other assets located or registered on the territory of Ukraine,

which are owned by

- any legal entity which is directly or indirectly owned or controlled by the Russian Federation, or if Russian Federation is directly or indirectly a founder, shareholder, participant or otherwise owns corporate rights with respect to such entity.

No confiscation decisions have yet been issued, however, according to public sources, the Cabinet of Ministers of Ukraine has already adopted an official proposal for confiscation of all shares and financial assets of JSC "International Reserve Bank" (controlled by Sberbank of Russia) and JSC "Prominvestbank" (controlled by Russian State Development Corporation "WEB.RF").

On 1 April the Parliament of Ukraine adopted draft law No. 7169 which extends the definition of persons whose property may be subject to confiscation. The draft law is not effective yet, but, after it is signed by the President of Ukraine (and unless vetoed by the President), the draft law will

allow for confiscation of assets of Russian citizens, Ukrainian legal entities controlled by Russian citizens and persons located outside of Ukraine which support Russian aggression against Ukraine/occupation of Ukrainian territories, and which continue business activities in Russian Federation amid Russian aggression against Ukraine. A person may be included in the latter category only on the basis of a specified decision of a court or Ukraine National Security Council.

### ***Currency Controls***

As of 24 February 2022, the National Bank of Ukraine has prohibited Ukrainian banks to process any cross-border payments, except for, among other exception:

- Ukrainian banks' own operations (excluding payments under certain letter of credits issued after 24 February 2022);
- payments for purchase of critical import goods as per the list which is published by the Cabinet of Ministers of Ukraine (the list is extensive and includes oil, gas, coal, medicine, computers, medical supplies, various types of food and beverages, certain clothes, chemicals, *etc.*);
- payments under instruments secured by sovereign guarantees;
- payments of international financial institutions which have offices in Ukraine and payments by Ukrainian residents to international financial institutions abroad;
- payments for the purchase of military related goods;
- payments on the basis of the special permits issued by the National Bank of Ukraine at the request of state authorities;
- payments of payment processing companies to connection with functioning of international payment systems;
- day-to-day payments using Ukrainian banking cards abroad;
- payments to Ukrainian diplomatic missions and consulates abroad; and
- certain types of insurance payments.

The abovementioned restriction also does not apply to the repayment of sovereign debt. Ukraine has made the scheduled coupon payment under Eurobonds on 1 March 2022 and the government is declaring its willingness to make further repayments on time.

The NBU is gradually easing the restrictions. For example, since March, it has more than ten new exceptions to the list.

## RUSSIAN COUNTERMEASURES<sup>21</sup>

### ***Foreign direct investment review of transactions between Russian residents and undertakings from "unfriendly" countries***

This regime was created in March 2022 (Russian Government Regulation No. 295 dated 6 March 2022 ("**Regulation 295**") as an expansion of the Russian foreign direct investment ("FDI") regime.

#### **Relevant transactions**

The following transactions are subject to prior approval:

- transactions between Russian residents, on one side, and foreign legal entities or individuals from "unfriendly" countries, on the other side, involving the acquisition of any securities or real estate assets, or the provision of loans or credit facilities to such foreign legal entities or individuals;
- currency operations in connection with loans in foreign currency provided by Russian residents to non-residents;
- transfers of funds by Russian residents to their accounts in foreign banks as well as through foreign payment systems;
- transactions as described above between Russian residents, on one side, and foreign legal entities or individuals from countries other than "unfriendly" countries, on the other side, where the securities or real estate assets in question were acquired from legal entities or individuals from "unfriendly" countries after 22 February 2022. This is essentially an anti-abuse provision designed to prevent parties from "unfriendly" jurisdictions from circumventing the prior approval requirement by transferring their securities or real estate assets to counterparties that are not located in "unfriendly" jurisdictions.

Importantly, foreign-to-foreign transactions without the involvement of Russian residents do not fall under the above rules.

Several exemptions from the FDI approval requirement were introduced in May-June 2022, including with respect to:

- foreign entities controlled since before 1 March 2022 by entities or individuals from jurisdictions other than "unfriendly" jurisdictions;
- acquisitions of additional shares or participatory interests in a Russian entity which result in a stake of up to 25% being held by foreign entities or individuals associated with "unfriendly" jurisdictions;
- sale of real estate by non-residents from "unfriendly" countries (or entities controlled by them and registered outside Russia) to Russian residents, where the respective payments are made to a special "Type C" account; and
- real estate transactions between individuals and on pre-construction property transactions.

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<sup>21</sup> *The description of the Russian countermeasures is complete as of 30 June 2022.*

### **Procedure and timeline**

As opposed to an ordinary Russian FDI submission, which is filed with the Russian competition authority (the Federal Antimonopoly Service, or "**FAS**"), submissions under Regulation 295 are filed with the Russian Ministry of Finance ("**MinFin**"). Under Regulation 295, the competent authority that reviews each transaction is a special sub-commission of the Russian Government Commission on Monitoring Foreign Investment. This sub-commission is comprised of an official from MinFin (who chairs the sub-commission), as well as the Russian Presidential Administration, the Ministry of Economic Development and the Central Bank of Russia ("**CBR**").

The scope of the filing is rather limited compared to an ordinary FDI submission. Decisions of the sub-commission are taken unanimously. Approval can be made contingent upon the satisfaction of certain conditions. Similar to an ordinary FDI submission, submissions under Regulation 295 are also subject to a confidentiality regime. The sub-commission may also issue approvals authorising all legal entities or individuals to perform a particular type of transaction.

Regulation 295 does not stipulate any time limit for the review of transactions and for an approval decision to be taken or not. However, in practice the review process generally tends to take about 3 to 4 weeks.

### ***Decree regulating the performance of Russian obligors' obligations to certain categories of creditors, and "Type C" accounts***

#### **Decree 95**

On 5 March 2022, the Russian President issued Decree No. 95 ("**Decree 95**"), introducing a temporary regime for the performance by Russian resident obligors of their obligations under credit facilities, loans and financial instruments.

This regime was subsequently extended in May 2022 to additionally apply to:

- performance of obligations under independent guarantees and sureties securing obligations under credit facilities, loans and financial instruments; and
- payment of dividends by limited liability companies, etc.

The regime envisaged by Decree 95 applies to payments exceeding the equivalent of RUB 10 million per month.

If a Russian obligor has an obligation to a foreign creditor from a jurisdiction that takes "unfriendly" actions against Russia (a "**creditor from an unfriendly jurisdiction**"), the Russian obligor can open a special "Type C" account with a Russian bank in the name of the creditor from an "unfriendly" jurisdiction. The currency of the Type C account must be Russian roubles.

The CBR (for Russian obligors that are financial institutions) and MinFin (for other obligors) are authorised to set out an alternative framework for the performance of obligations. Until the relevant special regimes are introduced, the CBR and MinFin have the power to grant permission to Russian obligors on a case-by-case basis to perform their obligations in deviation from the regime prescribed by Decree 95.

### **CBR revises the Type C account regime**

On 24 June 2022, the Board of Directors of the CBR revised the regime established in Decree 95 for special Type C accounts.

The new regulation envisages Type C accounts for residents. Such accounts are essentially used if a foreign creditor assigns its claim against a resident debtor to a resident entity. The types of debits that can be made from residents' Type C accounts are limited.

The types of account that may be opened for non-residents have not substantially changed since the earlier version of the regulation dated 18 March 2022.

That said, changes have been made to the exhaustive list of permitted credits to, and permitted debits from, Type C accounts – please see [Appendix 1](#).

\* \* \*

These new sanctions and export controls are complex, multilateral, and in some cases extraterritorial and incrementally changing in real time in response to the situation on the ground in Ukraine. We will endeavour to keep our briefings up to date. It is essential that companies and individuals react quickly to assessing their risk of exposure to these new sanctions and export controls, to understand the application and duration of the licences, and to be mindful that while apparently coordinated, there is not complete overlap or prohibitions across the various sanctions programs, applicability and jurisdiction.

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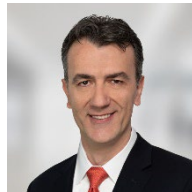
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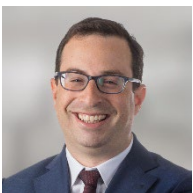
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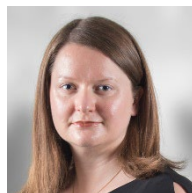
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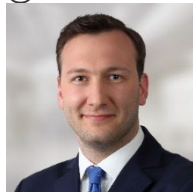
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This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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## Appendix 1

Type of Account	Permitted Credits*	Permitted Debits*
Resident's Type C bank account	Funds from residents that are debtors under operations (transactions) subject to Decree 95 (where the right of claim has been assigned from a foreign creditor to a Russian resident); and  funds erroneously credited to the Type C bank account.	Payments of taxes, customs fees, duties and other mandatory charges payable in accordance with Russian budget legislation;  fees charged by the Russian bank for servicing the Type C bank account; and  funds erroneously credited to the Type C bank account.
Non-resident's Type C bank account	Funds received from residents under operations (transactions) specified in Decree 95;  funds received from residents under operations (transactions) permitted by the consent of the Governmental Commission for Control over Making Foreign Investments in the Russian Federation;  funds transferred from a Type C bank account, Type C brokerage account, Type C special brokerage account, Type C trade bank account, or Type C clearing bank account; and  funds erroneously debited from the Type C bank account.	Payments of taxes, customs fees, duties and other mandatory charges payable in accordance with Russian budget legislation;  payments to purchase Federal Loan Bonds (so-called "OFZs") issued by MinFin through auctions, as well as payments for such bonds in circulation;  funds to be transferred to another Type C bank account or to a Type C brokerage account, Type C trade bank account, or Type C clearing bank account;  fees charged by the Russian bank for servicing the Type C bank account, including to a broker that opens a Type C special brokerage account, to a custodian that maintains a Type C custody account, and other charges associated with transactions with securities credited to Type C custody accounts;  amounts of penalties (fines) due to a resident under operations (transactions) that are subject Decree 95; and  funds erroneously credited to the Type C bank account.

\* Note: The information in the table is a high-level summary of the relevant regulation. A similarly restrictive regime applies to Type C custody accounts, brokerage accounts, clearing bank accounts and clearing custody accounts.