

# Sanctions on Russia

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# European Union Sanctions on Russia

## EXPORT AND IMPORT SANCTIONS

### Export Controls

- Defence items (Common Military List)
- Controlled dual-use items (DU Annex I)
- Oil production equipment (Annex II)
- Additional strategic items (Annex VII)
  - Further high-tech, machinery, etc.
- Oil refining & LNG equipment (Annex X)
- Aircrafts, spacecrafts (Annex XI)
- Maritime navigation items (Annex XVI)
- Luxury goods (Annex XVIII)
  - Additional HS codes
- Euro and other EU banknotes
- Jet fuel and additives (Annex XX)
- Additional products (Annex XXIII)
  - Wood, rubber, paper, chemicals, metals, machinery, vehicles, etc.
- Provision of related services, financing

### Import Restrictions

- Steel and iron products (Annex XVII)
  - Additional HS codes
- Coal, solid fossil fuels (Annex XXII)
- Other products (XXI)
  - Tyres, wood, fertilisers, metals etc.
- Provision of related service, financing

## FINANCIAL SANCTIONS

### Banks

- Asset freezes (reg. 263 Annex I) (incl. VTB)
- Loans, equity, securities (Annexes III & XII)
- SWIFT access (Annex XIV)

### Russian Sovereign Wealth

- Russian government bonds
- Central banks asset management

### Russian Wealth in EU

- Deposits exceeding EUR 100 000
- Crypto assets exceeding EUR 10 000
- Securities trading services
- Services for Russian trusts
- Participation in public procurement

### EU Wealth in Russia

- Energy sector investments
- Russian direct investment fund
- Credit rating services
- Public trade finance
- Public financial support for State corps

## SANCTIONS LISTS

### Asset Freeze Designations

- Oligarchs, companies.. (Reg. 263 Annex I)

### Financing Bans

- Loans, equity, securities (Ann. V, VI, XIII)

### Certain State-owned Entities

- Direct or indirect transactions (Annex XIX)

### Military End-users

- Mandatory authorization denial (Annex IV)

## OTHER SANCTIONS

### Embargo On Crimea, Luhansk & Donetsk

- Imports, certain exports & investments

### Russian Flights

- Overflight, landing, take-off

### Road And Sea Transports

- EU port access for Russian vessels
- Road transportation by Russian companies

### Nord Stream 2 Sanctions

- Denial of certification

### Russian Media Broadcasts

- Broadcasting prohibition (Annex XV)

# United States Sanctions Adopted in 2022

## NEW UNITED STATES SANCTIONS ON RUSSIA

### Us Sanctions On The Financial Sector

- US SDN sanctions on banks, including Sberbank, Alfa Bank
- US correspondent banking sanctions on banks
- US restrictions on financing Russian entities
- US restrictions on Russian sovereign wealth

### US Export Controls

- Export and re-exports of category 3—9 EAR items
- Export and re-exports of all other items, except EAR99
- Oil refining equipment
- Most (re-)exports to military end-uses and entity list entities
- *Russia foreign direct product rule [EU exempted]*
- *Russian military foreign direct product rule [EU exempted]*
- Luhansk & Donetsk export prohibitions
- Luxury goods
- US dollar banknotes
- Services, to be determined by authorities

### US Other SDN Sanctions

- Politicians, officials, oligarchs, and businesspeople
- Several industrial companies

## NEW UNITED STATES SANCTIONS ON RUSSIA

### Us Embargo On Luhansk & Donetsk

- Exportation from US and by US person prohibited
- Importation from US and by US person prohibited
- New investments by US persons prohibited
- Facilitation by US persons prohibited
- Causing a violation by EU person prohibited
- Authority to impose SDN sanctions, incl. For material support by EU person

### US Nord Stream 2 Sanctions

- SDN sanctions on Nord Stream 2 AG

### US Import Prohibitions

- Oil, petroleum, LNG, coal
- Fish, seafood, vodka
- Non-industrial diamonds

### US Investment Prohibitions

- Investments by US persons to Russian energy sector
- Any other investments to Russia

# Key Compliance Takeaways: Sanctions Lists

## Assets Freezes / Prohibitions on Transactions

- Regulation (EU) 269/2014 Annex I: “Sanctions List”
  - “Owned or Controlled” Test
  - No general exemptions for prior contracts
  - Limited licensing grounds
- Regulation (EU) 833/2014 Annex XIX: Transaction Prohibitions
  - “Prohibited to directly or indirectly engage in any transaction with”
  - Including
    - non-EU subsidiaries that are more than 50% owned by Annex XIX entities
    - Those “acting on behalf or at the direction of”
  - Exemption for prior contracts until 15 May 2022
  - Exemption for fossil fuel import to EU
- US Specially Designated Nationals List
  - OFAC 50% Rule
  - Applicability: “US Nexus”
  - Other risk factors:
    - Secondary sanctions implications
    - Contractual implications
    - Practical implications

## Key Compliance Measure: Sanctions Screening

- Sanctions screening that should capture
  - Relevant sanctions lists (EU, US, others?)
  - Ownership and control aspects
  - Customers, suppliers, other partners
  - End-users?
- Characteristics seen in leading sanctions screening approaches
  - Automated
  - Continuous
  - Comprehensive
  - Calibrated
  - Well-documented
  - Auditable
  - Tricky cases for specialist review
  - Appropriate escalation & decision-making
- Risk based prioritizations may be a necessity

# Key Compliance Takeaways : Export Controls

## EU EXPORT CONTROL LISTS RELEVANT FOR RUSSIA

### Military Items

- EU Common Military List
- Goods, components, materials, substances, software and technology specially designed for military uses

### Dual-Use Items

- Annex I of Council Regulation (EU) 2021/821
- Goods, components, materials, substances, software and technology with both civil and military applications
- “Catch all” of *any* goods for military use in Russia or WMD use

### Additional Control List for Russia (Regulation No 833/2014)

- Annex II: Oil exploration and production items
- Annex VII: Additional strategic items
- Annex X: Oil refining items
- Annex XI: Aircraft, spacecraft, parts
- Annex XVI: Maritime navigation items
- Annex XVIII: Luxury goods
- Annex XXII: Jet fuel and fuel additives
- Annex XXIII: Additional industrial and other goods

### Transportation

- *Prohibition on road, sea, and air transportation*

## CONTROLLED ACTIVITIES

### Sales, supply, transfer, export

- 1) To sell, supply, transfer or export
- 2) directly or indirectly
- 3) whether or not originating in the Union
- 4) to any natural or legal person, entity or body in Russia
- 5) or for use in Russia.

### Provision of services

- 1) To provide technical assistance
- 2) brokering services or
- 3) other services
- 4) related to controlled items
- 5) related to the provision, manufacture, maintenance and use of controlled items
- 6) directly or indirectly
- 7) to any natural or legal person, entity or body in Russia
- 8) or for use in Russia.

## Key Compliance Measure: Self-Classification

- You must classify products you design / build yourself
- Focus on complete item, not individual incorporated components
- Remember both HS Codes & verbal descriptions

## Key Compliance Measure: Third-Party Items

- Large suppliers & software houses have self-classified: ask!
- Consider leveraging US-ECCNs of EU classification not available
- Remember also services, incl. internal (e.g., IT services)

# Key Compliance Takeaways: Import Restrictions

## EU EXPORT IMPORT RESTRICTIONS ON RUSSIA

### Steel and Iron

- Annex XVII: Steel and Iron
- Annex XXI: Additional products (wood, tyres, etc.)
- Annex XXII: Coal and solid fossil fuels

### *Transportation*

- *Prohibition on road, sea, and air transportation*

## CONTROLLED ACTIVITIES

### Importation, transportation, and procurement

- 1) To import, directly or indirectly or
- 2) to purchase, directly or indirectly or
- 3) to transport
- 4) steel/iron that originates in Russia
- 5) has been exported from Russia.

### Provision of services

- 1) To provide technical assistance
- 2) brokering services or
- 3) Financial assistance
- 4) related to the prohibition described above.

## Key Compliance Measure: Classification

- (Current) import restrictions are HS code based
- Country of origin information is also key, since prohibitions apply on origin basis

# Key Compliance Takeaways: Financial Sector

## Assets Freezes / Prohibitions on Transactions

- Regulation (EU) 269/2014 Annex I: “Sanctions List”
- Regulation (EU) 833/2014 Annex XIX: Transaction Prohibitions

## Banking

- EU and US Full “Blocking” (EU Asset Freeze, US SDN List)
- EU prohibitions on SWIFT-like services
- US correspondent banking / transactions prohibition
- Financing restrictions (loans, equity, dealing in securities)

## Controls on Russian Assets in the European Union

- Restrictions on Deposits (EUR 100 000)
- Restriction on Crypto Assets (EUR 10 000)
- Restrictions on Russian Trading in EU Securities
- Prohibition on Selling EU Securities to Russian Persons
- Prohibition on Providing Credit Rating Services
- Prohibition on services to Russian trusts

## Controls on USD, euro and other EU banknotes

- Prohibition to supply USD and euro banknotes to Russia

## Trade Related Financing and Insurance

- Financing related any Controlled Items or their provision, manufacture, maintenance, or use in / to Russia
- Any other “services”, such as insurance, related to the above
- Prohibition on public trade finance (with limited exceptions)

## Restrictions on Corporate Financing

- Financing restrictions in targeted companies
- Prohibition on providing credit rating services
- Prohibition on public financial support for Russian State corps.

## Restrictions on Russian Public Wealth

- Transactions related to Central Bank asset management
- Transactions in Government-issued bonds

## Investments

- Russian Energy Sector
- Crimea, Luhansk, Donetsk
- Targeted Entities, Government Bonds

## Key Compliance Measures

- Risk assessment needed to determine which prohibitions may apply
- Each prohibition requires specific compliance measures



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