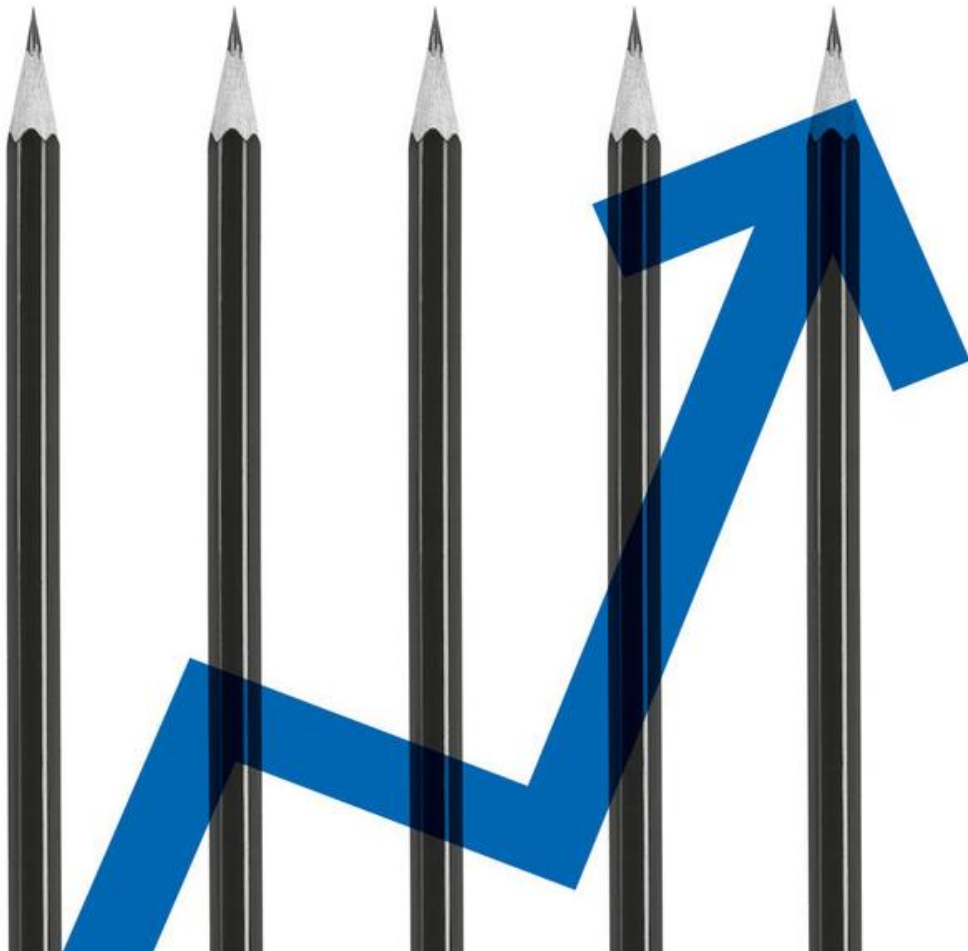


## **Keeping you up to speed**

### Russia and Belarus sanctions update

1 July 2022



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# Introduction

Following the invasion of Ukraine by Russia, the UK, EU and US have all responded by announcing significant sanctions in respect of Russia and Belarus.

This briefing summarises the key developments since 19 May 2022 and supplements our previous briefings on:

- [23 February 2022](#)
- [25 February 2022](#)
- [28 February 2022](#)
- [3 March 2022](#)
- [9 March 2022](#)
- [10 March 2022](#)
- [17 March 2022](#)
- [28 March 2022](#)
- [6 April 2022](#)
- [12 April 2022](#)
- [25 April 2022](#)
- [19 May 2022](#)
- [8 June 2022](#)



## United Kingdom

There are a series of updates in this section relating to:

- asset freezes;
- general licences;
- new trade restrictions;
- restrictions re Russian gold;
- restrictions re trusts services;
- guidance; and
- commentary.

### **Asset freezes**

On 16 June 2022, the UK Government announced a number of additional asset freezes pursuant to the Russia sanctions regime. The list includes (but is not limited to) the following Designated Persons:

- Maria Lvova-Belova, the Russian Children’s Rights Commissioner;
- Patriarch Kirill, head of the Russian Orthodox Church (which raises questions about the potential impact on Russian Orthodox Churches within the UK);
- Sergey Savostyanov, the deputy of the Moscow city Duma;
- Alexey Isaykin, President and Board Member of the Russian transport company Volga-Dnepr Group;
- Four Military Colonels from the 64th Separate Motorised Rifle Brigade; and
- Members of the so-called ‘Salvation Committee for Peace and Order’ (an organisation which has been supporting the occupation of the Kherson Oblast).

In addition, on 29 June 2022, HM Treasury announced 13 additional designations, including (but not limited to) the following Designated Persons:

- Ruslan Sulimovich Baysarov – chairman of the board of directors of JSC BTS-MOST, one of Russia’s largest construction groups;



- Said Mikhailovich Gutseriev – reportedly owns or controls PJSC SFI, an entity operating in the Russia financial services sector;
- Sait-Salem Safarbekovich Gutseriev - reportedly owns or controls JSC NK Neftisa, an entity operating in the Russia energy sector;
- Mihajlo Perencevic – President of Velesstroy, a Russian pipeline construction company;
- Vladimir Potanin – owns or controls Rosbank;
- JSC Marshal. Global – a Russian investment banking, financial and asset management firm;
- JSC Moscow Industrial Bank;
- JSC Kolmar Group, a Russian coal mining and processing company; and
- JSC New Opportunities – a company incorporated in March 2022 to which companies previously owned by PJSC Sberbank were sold.

Accordingly, all funds and economic resources belonging to, owned, held or controlled by such Designated Persons are frozen (meaning it is prohibited for UK persons to deal with (among other things), directly or indirectly, such funds or economic resources) and it is prohibited for UK persons to make funds or economic resources available, directly or indirectly, to or for the benefit of the Designated Persons.

Under UK law, these restrictions also apply to entities which are owned more than 50%, or controlled by, a Designated Person.

## **General Licences**

### General Licence INT/2022/1919908

On 10 June 2022, OFSI published General Licence [INT/2022/1919908](#) which allows a person (other than a designated person) “to make use of the retail banking services” of a designated credit or financial institution until 10 September 2022 provided that the payments made or received are:

- intended for the personal use of the person; and
- the total value of such payments does not exceed £50,000 during the period 10 June 2022 to 10 September 2022.



A UK financial institution may process payments made under this general licence provided that the total value of such payments processed by the financial institution during period 10 June 2022 to 10 September 2022 does not exceed £50,000.

Reporting and record keeping obligations apply where this general licence is utilised.

#### General Licence INT/2022/1968500

On 30 June 2022, OFSI issued General Licence [INT/2022/1968500](#). This licence allows for a 30 day wind down period of positions involving Rosbank PJSC or any entity owned or controlled by Rosbank.

The licence takes effect from 30 June 2022 and expires on 30 July 2022.

#### **Trade restrictions**

On 22 June 2022, the UK Government introduced a further tranche of trade-related sanctions by way of the Russia (Sanctions) (EU Exit) (Amendment) (No. 10) Regulations 2022.

The new measures introduce the following restrictions:

- a prohibition on the export to or for use in Russia of jet fuel and fuel additives, as well as prohibitions on the supply, delivery or making available, directly or indirectly, of such products (as well as related technical assistance, financial or brokering services) to Russia, for use in Russia, or to a person connected with Russia;
- a prohibition on the export to, or for use in, Russia, of Sterling or EUR denominated banknotes, as well as prohibitions on the supply, delivery or making available of such banknotes for use in Russia or to a person connected with Russia;
- a prohibition on the import, acquisition or supply and delivery of ‘revenue generating goods’ listed in Schedule 3D that originate in, or are consigned from, Russia (including a prohibition on related technical assistance, financial and brokering services);
- a prohibition on the export, making available, supply, or delivery to, or for use in, non-government controlled Ukrainian territory of certain military goods and technology (including related technical assistance, financial services, funds, and brokering services);
- a prohibition on the provision of technical assistance, financial services, funds, and brokering services relating to the import or acquisition of Russian iron and steel imports; and



- prohibitions on the export, supply and delivery, making available, or transfer to Russia or for use in Russia (including related technical assistance, financial services, funds and brokering services) of various goods and technology, including:
  - internal repression goods and technology;
  - interception and monitoring goods and technology;
  - goods and technology relating to chemical and biological weapons;
  - maritime goods and technology;
  - additional oil refining goods and technology; and
  - additional critical industry goods and technology.

The amended Regulations contain certain exceptions to the abovementioned restrictions, as follows:

- in relation to maritime goods and technology, the abovementioned restrictions do not apply where the goods and technology are provided for the following purposes:
  - non-military use for a non-military end-user;
  - humanitarian assistance activity;
  - addressing a health emergency;
  - the urgent prevention or mitigation of an event likely to have a serious and significant impact on human health and safety or on the environment; or
  - providing a response to a natural disaster.
- in relation to the new measures regarding Sterling or EUR denominated banknotes, the prohibitions do not apply to:
  - personal use by natural persons travelling to Russia or members of their immediate families travelling with them (up to a limit of £10,000 or the equivalent in EUR);
  - official purposes of diplomatic missions, consular posts or international organisations in Russia enjoying immunities in accordance with international law; and/or
  - anything done by a person who did not know and had no reasonable cause to suspect that the banknotes were ultimately to be exported, supplied, delivered or made available to a person connected with Russia or for use in Russia.



in relation to the prohibitions on import, acquisition or supply and delivery of 'revenue generating goods' that originate in or are consigned from Russia, certain grandfathering provisions apply.

### **Restrictions re: Russian gold**

On 26 June 2022, the UK Government announced that it will introduce prohibitions on newly mined or refined Russian gold.

We await the legislation which will bring this into effect.

### **Restrictions re: trust services**

On 29 June 2022, the UK Government announced that it will introduce measures which will prevent Russia from accessing UK trusts services.

We await the legislation which will bring this into effect.

### **Guidance**

#### Regulation 29A: space and aviation goods and technology

On 21 June, OFSI updated its [guidance](#) regarding regulation 29A of the Russia (Sanctions) (EU Exit) Regulations (2019) which bans the provision of insurance and reinsurance services relating to aviation, technology and space goods to a person/entity connected with Russia or for use in Russia

OFSI has given two clarifying statements which say that the prohibition does not apply where:

- (a) the insurance is for the benefit of the non-Russian owner of the items, rather than their user or operator; or
- (b) 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.





### Department of International Trade guidance

DIT has also published Guidance on trading under sanctions with Russia. The Guidance covers trade sanctions, export and import control licensing, tariffs on Russia and Belarusian goods, 'getting paid', transport sanctions and sanctions relating to Belarus.

### **Commentary**

There are a number of commentary related updates which are worth noting:

On 8 June 2022, The UK House of Commons Treasury Committee published the [Government Response](#) to its Twelfth Report of Session 2021-2022, '[Defeating Putin: the development, implementation and impact of economic sanctions on Russia](#)'.

In response to the recommendations made in the Committee's report of 23 March 2022, the Government said:

- the sanctions and economic measures 'are working' and are "starving Russia's access to finance";
- over 3 million Russian companies are now barred from raising money on UK capital markets;
- current estimates are that two thirds of assets available to Russia have been frozen which prevents funding for Russia's military aggression;
- the Government has established a temporary new Director-led co-ordination unit within Treasury to provide oversight of the economic response and impact
- the Government will recruit additional permanent staff to OFSI, which is expected to at least double in size over financial year 2022/23;
- the Government recognises that crypto assets can be used to evade sanctions and reiterates that financial sanctions apply to crypto assets; and
- the Department of International Trade has expanded its Export Support Service (ESS) to act as a single point of enquiry for businesses with questions relating to the situation in Ukraine and Russia;

On 10 June 2022, the UK Government published [Guidance](#) on how it collates data on its Russia sanctions regime. The Guidance states that:

- a Russian oligarch is defined as a 'Russian national who is both ultra-high-net-worth and connected to the Putin regime';



- for global net worth estimates, the UK Government uses the Forbes Billionaires List. The [2021 List](#) and an exchange rate of £1 = \$1.376 was used until 21 April 2022, at which point the estimated total global net worth of oligarchs sanctioned by the UK totalled £198 billion. The total estimate of oligarchs' global net worth only includes those oligarchs for whom the government has a valuation from the Forbes Billionaires List;
- after 21 April 2022, the Government has used the Forbes [2022 List](#) and an exchange rate of £1 = \$1.330. The estimated total global net worth of oligarchs sanctioned by the UK under this calculation totalled £117 billion;
- in reporting the number of oligarchs designated, the UK Government also includes sanctioned family members. These include sanctioned spouses, partners, former partners, children, and children's partners. The government notes that, to date, none of these designated family members have independent Forbes valuations;
- using open source research, the Government estimates the number of subsidiaries covered by UK sanctions and adds this to the number of direct designations. The number of subsidiaries was estimated to be 420 on 4 May 2022, in addition to 1083 people and 106 entities;
- the Government used [Finmarket – Interfax Rankings](#) and an exchange rate of £1 = 101.4 roubles to calculate the estimated value of sanctioned banks' global assets.

On [22 June 2022](#), the Treasury Select Committee also heard oral evidence from the Director and Deputy Director of OFSI with regards to Russia.



# European Union

## **FAQs**

The European Commission has updated its Russia sanctions FAQs on a number of occasions. It has also published a [consolidated](#) version of its Russia sanctions FAQs.

## **Council Decision (CFSP) 2022/962 – Russia’s annexation of Crimea and Sevastopol**

On 23 June, the EU approved [Council Decision \(CFSP\) 2022/962](#) which renews its sanctions regime in relation to Russia’s annexation of Crimea and Sevastopol until 23 June 2023.

## **G7 commitments**

Following a meeting with the G7 leaders between 26 and 28 June 2022, the EU has committed to imposing further sanctions with respect to Russia. It is expected that the EU will also impose restriction on Russian gold and other areas which generate revenue for Russia.

We therefore await the EU’s seventh package of sanctions in due course.



## United States

On June 6, 2022, the Bureau of Industry and Security (“BIS”) of the US Department of Commerce issued a charging letter against **Roman Abramovich** alleging violations of US export controls involving flights of two US origin aircraft to Russia without the required export licenses from BIS.

On June 9, 2022, the Office of Foreign Assets Control (“OFAC”) of the US Department of the Treasury issued [new FAQs](#) related to EO 14071 “Prohibitions Relating to Certain Accounting, Trust, and Corporate Formation, and Management Consulting Services”.

On June 14, 2022, OFAC:

- issued Russia-related [GL 8C](#), amending GL 8B and thereby extending authorization, through 12:01 am EST December 5, 2022, for all transactions “related to energy” involving the **Central Bank of the Russian Federation** or one or more of the following entities (or their 50% or more owned subsidiaries):
  - **State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank;**
  - **Public Joint Stock Company Bank Financial Corporation Otkritie (“Otkritie”);**
  - **Sovcombank Open Joint Stock Company (“Sovcombank”);**
  - **Public Joint Stock Company Sberbank of Russia;**
  - **VTB Bank Public Joint Stock Company (“VTB Bank”);** or
  - **Joint Stock Company Alfa-Bank;** and
- issued [amended FAQs](#) relating to GL 8C.

On June 24, 2022, BIS revised its [list](#) of aircraft that have flown into Russia and/or Belarus in apparent violation of export controls by adding aircraft and providing updated tail numbers.

On June 28, 2022, OFAC:

- made [various additions, changes, and deletions](#) to individuals and entities on the Specially Designated Nationals And Blocked Persons List (“SDN List”) and changes to the Sectoral Sanctions Identifications List (“SSI List”).
-



- issued [GL 39](#), authorizing through 12:01 am EDT August 11, 2022 all transactions ordinarily incident and necessary to the wind down of any transactions involving State Corporation Rostec, or any entity blocked not earlier than June 28, 2022, in which State Corporation Rostec owns, directly or indirectly, a 50% or greater interest, prohibited by EO 14024, provided that any payment to a blocked person must be made into a blocked account.
- issued [GL 40](#), authorizing 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 a number of listed blocked entities (see GL for details) and that are prohibited by EO 14024, provided that the aircraft is registered in a jurisdiction solely outside of Russia and the goods, technology, or services that are provided, exported, or reexported are for use on aircraft operated solely for civil aviation purposes.
- issued [GL 41](#), authorizing through 12:01 am EST December 22, 2022 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 in which Nefaz or Tutaev Motor Plant owns, directly or indirectly, individually or in the aggregate, a 50 percent or greater interest, that are prohibited by the Russian Harmful Foreign Activities Sanctions Regulations, provided that any payment to a blocked person must be made into a blocked account.
- issued [GL 42](#), authorizing all transactions involving the Federal Security Service (a.k.a. Federalnaya Sluzhba Bezopasnosti) (a.k.a. FSB) prohibited by EO 14024, provided that such transactions and activities are ordinarily incident and necessary to:
  - o requesting, receiving, utilizing, paying for, or dealing in licenses, permits, certifications, or notifications issued or registered by the Federal Security Service for the importation, distribution, or use of information technology products in Russia, provided that (1) the exportation, reexportation, or provision of any goods or technology that are subject to the EAR, is licensed or otherwise authorized by the Department of Commerce; and (2) the payment of any fees to the Federal Security Service for such licenses, permits, certifications, or notifications does not exceed \$5,000 in any calendar year;
  - o complying with law enforcement or administrative actions or investigations involving the Federal Security Service; and
  - o complying with rules and regulations administered by the Federal Security Service.
- issued [GL 43](#), authorizing through 12:01 am EDT August 31, 2022:
  - o 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 in which Severstal or Nord Gold owns, directly or indirectly, individually or in the aggregate, a 50 percent or greater interest, purchased prior to June 2, 2022 (“covered debt or equity”) provided that any divestment or transfer, or facilitation of divestment or transfer, of covered debt or equity must be to a non-US person; and

- all transactions prohibited by EO 14024 that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to June 2, 2022 that (1) include a blocked person described directly above as a counterparty or (2) are linked to covered debt or equity, provided that any payments to a blocked person are made into a blocked account.
- published a [determination](#) pursuant to Section 1(a)(i) of EO 14068, prohibiting the import of Russian-origin gold into the United States, excluding Russian-origin gold that is located outside of Russia prior June 28, 2022, and published a [new FAQ](#) confirming the determination prohibits the importation of Russian-origin gold;
- issued one [amended FAQ](#), explaining how the Russia-related sanctions impacts gold-related transactions and persons participating in the gold market.

Also on June 28, 2022:

- BIS [added](#) 36 entities under 41 entries to the Entity List, six of which<sup>1</sup> were listed specifically for previously supplying items to Russian entities of concern before February 24, 2022 and continuing to contract to supply Russian entity listed and sanctioned parties after Russia’s further invasion of Ukraine;
- Treasury FinCen and BIS issued a [joint alert](#) to financial institutions, advising them to be vigilant against efforts to evade BIS export controls implemented in connection with Russia’s further invasion of Ukraine.

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<sup>1</sup> Connec Electronic Ltd.; King Pai Technology Co., Ltd.; Sinno Electronics Co., Ltd.; Winninc Electronic; World Jetta (H.K.) Logistics Limited; and Promcomplektlogistic Private Company



# Switzerland

## Full implementation of the 6th EU sanction package

On 10 June 2022, Switzerland added some 100 persons to the list of persons under the asset freeze. On 29 June 2022 Switzerland implemented the 6th EU sanction package by updating its own Ordinance establishing measures in relation to the situation in Ukraine (RS 946.231.176.72).

The new restrictions include an embargo on crude oil and selected refined petroleum products of Russian origin and the purchase, import, transit and transport to or within Switzerland is prohibited. Equally, trade in crude oil and petroleum products destined for Switzerland is prohibited. This restriction is strengthened by a prohibition to provide related services which includes insurance or reinsurance, in connection with the transport of oil and certain Russian petroleum products to any destination.

As in the European Union, this new embargo will be brought into force progressively. A number of transitional periods apply and the embargo takes full effect by the beginning of 2023. Further provisions apply to the import of Russian petroleum products that were lawfully imported into the European Union for subsequent import to Switzerland or within the European Union.

There is a new prohibition on the provision, directly or indirectly, of certain services such as accounting, tax, public relations and business consultancy to the Russian government or to legal persons and entities established in Russia.

There is also a new prohibition on advertising content produced or the broadcast by certain Russian media such as Russia Today or Sputnik. So far, Switzerland has not engaged in such sanctions.

Finally, the Ordinance added the list of exceptions where the State Secretariat of Economic Affairs (SECO) can allow a sanctioned activity. For example, carve-outs were created to allow trusts engaged in humanitarian activities or in democracy-building to continue to operate.

Switzerland has nearly implemented all EU sanctions, the exception being the EU bans concerning the award of public contracts to Russian nationals and organisations or entities established in Russia. Implementation is still pending.

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