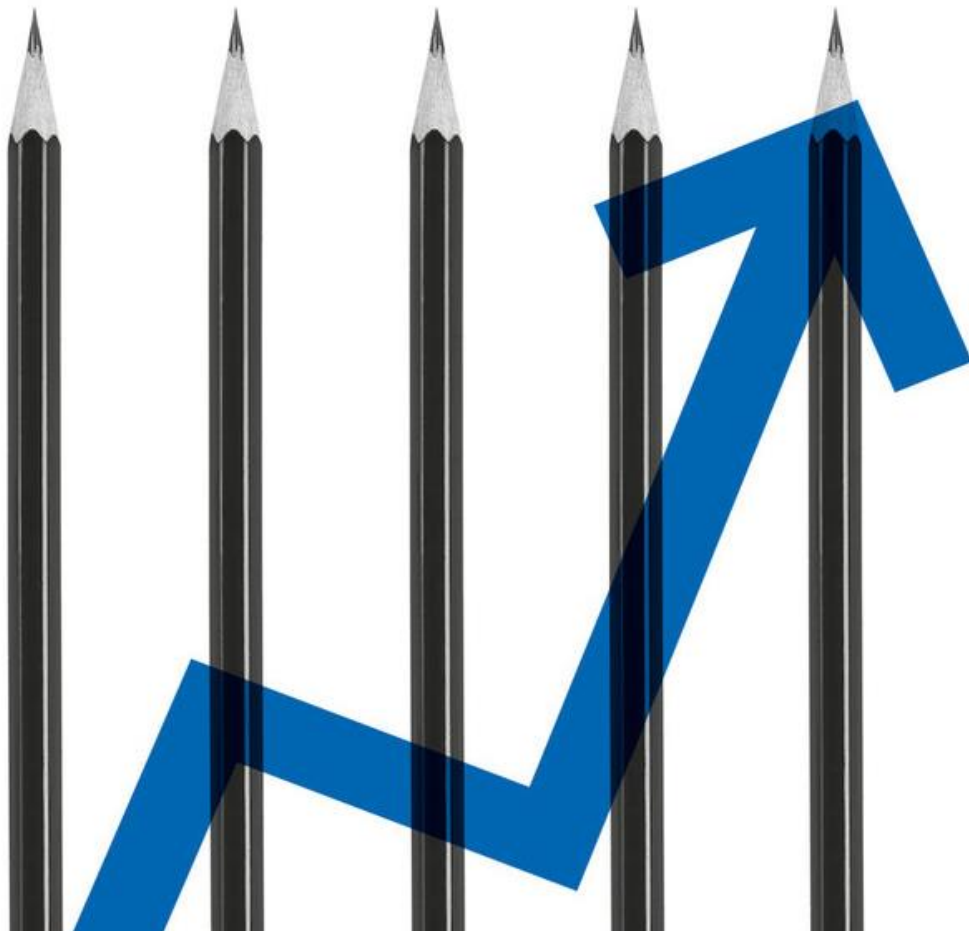


Keeping you up to speed

Russia and Belarus sanctions update

28 February 2023



Contents

INTRODUCTION 2
UNITED KINGDOM 3
EUROPEAN UNION 6
UNITED STATES 11
SWITZERLAND 14
CONTACTS 15

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 and supplements our previous briefings on:

- [23 February 2022](#)
- [24 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](#)
- [1 July 2022](#)
- [25 July 2022](#)
- [16 August 2022](#)
- [23 September 2022](#)
- [11 October 2022](#)
- [8 November 2022](#)
- [5 December 2022](#)
- [21 December 2022](#)
- [9 February 2023](#)



United Kingdom

In light of the one year anniversary of the Russian invasion of Ukraine, the UK announced a series of additional sanctions with respect to Russia:

Asset Freezes

On 24 February 2023, the UK announced further asset freezes against 92 persons/entities, including (but not limited to):

- Bank St. Petersburg JSC;
- Bank Uralsib PJSC7;
- Bank Zenit PJSC;
- MTS Bank PJSCC;
- Mattias Warnig – close friend of Putin and the CEO of Nord Stream 2;
- Lyubov Kabaeva – mother of Alina Kabaeva who is an alleged ally of Putin;
- Alexei Dyumin – Putin’s former chief security guard for his involvement in facilitating a drone training school;
- Alexei Kozak – son of the former Deputy Prime Minister and Putin ally Dmitry Kozak;
- 34 executives connected to Rostec and Almaz-Antey Corporation which are Russia’s two largest defence companies;
- 6 Russian entities involved in the manufacturing and repair of military equipment;
- 5 senior Iranian executives in Qods Aviation Industry (company manufactures drones used in Ukraine); and



- 20 executives of Gazprom and Aeroflot (including the Gazprom Chairman and former Russian Prime Minister Viktor Zubkov).

together the “**Designated Persons**”.

Accordingly, all funds and economic resources belonging to, owned, held or controlled by the 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 also 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, the Designated Persons.

New package of sanctions

On 24 February 2023, the UK announced a further package of sanctions including:

- additional export bans targeting items used by Russia on the battlefield, including (but not limited too):
 - o Aircraft parts;
 - o Radio equipment; and
 - o Electronic components for military use such as UAVs.
- an extension of the existing measures against Crimea and the non-government controlled territory in Donetsk and Luhansk to include the Russian controlled areas of Kherson and Zaporizhzhia.

General Licences

- On 13 February 2023 OFSI amended [General Licence INT/2022/1710676](#) which relates to business operations involving the North American Subsidiaries of Evraz, to extend the expiry date until 30 September 2023.
- On 14 February 2023, OFSI amended [General Licence INT/2022/1839676](#) ‘**Russian Travel**’ to extend the expiry date until 23 May 2024.



On 24 February 2023, OFSI extended the expiry dates for 3 of its General Licences:

- [General Licence INT/2022/1280976](#) '**Russia: Regulatory Authorities – Prudential Supervision or Financial Stability**'. This General Licence now expires on 3 April 2025.
- [General Licence INT/2022/1280876](#) '**Russian Banks – UK Subsidiaries – Guernsey subsidiary – EU subsidiaries – Basic needs, routine holding and maintenance, the payment of legal fees and insolvency payments**'. This General Licence now expires on 3 April 2025.
- [General Licence INT/2022/2300292](#) '**Payment to Energy Companies for Gas and/or Electricity**'. This General Licence now expires on 16 October 2023.



European Union

On 24 February 2023, the EU announced its 10th package of Sanctions against Russia. A summary of this is set out below:

Amendments to Council Regulation 269/2014

Council Regulation (EU) No. 269/2014 ("**Reg 269**") has been amended as follows:

Asset freezes

Council Regulation (EU) No. 2023/429 amends Annex I of Reg 269 to impose asset freezes against 87 persons and 34 entities, including (but not limited to):

- The National Wealth Fund of the Russian Federation;
- A number of entities involved in the supply, design, delivery or manufacture of weapons and military equipment;
- Russian National Reinsurance Company, JSC (the main reinsurer of Russian ships responsible for the export of Russian oil which has enabled the Russian Government to deflect and mitigate the impact of the oil price cap);
- Alfa-Bank JSC;
- Rosbank PJSC; and
- Tinkoff Bank JSC.

together the "**Sanctioned Persons**"

Accordingly, all funds and economic resources belonging to, owned, held or controlled by the Sanctioned Persons are frozen (meaning it is prohibited for EU persons to deal with (among other things), directly or indirectly, such funds or economic resources) and it is also prohibited for EU persons to make funds or economic resources available, directly or indirectly, to or for the benefit of the Sanctioned Persons. Under EU law, these restrictions also apply to entities which are owned more than 50%, or controlled by, a Sanctioned Persons.



Additional Derogations

Council Regulation (EU) 2023/426 ("**Reg 426**") amends Reg 269 by bringing into effect a number of additional derogations through the following amendments to Article 6b:

- Member States may authorise (article 6b(2d)) the release of certain frozen funds or economic resources belonging to, or the making available of funds or economic resources to:
 - o Alfa-Bank JSC;
 - o Rosbank PJSC and
 - o Tinkoff Bank JSC

where necessary for termination by 26 August 2023 of operations, contracts, or other agreements (including correspondent banking arrangements) which were concluded before 25 February 2023. This essentially provides for a wind down period. With respect to Alfa-Bank transactions for the disbursement of funds by the Jewish Claims Conference to beneficiaries in Russia can also be authorised until 26 November 2023.

- Member States may authorise (article 6b(5a)) the release of frozen funds/economic resources held by, or the making available of funds or economic resources to, the National Settlement Depository ("**NSD**") provided that:
 - o The funds or resources are necessary for the disposal or transfer of securities by an entity in the EU which is currently or previously controlled by VTB Bank;
 - o the disposal or transfer is completed by 24 July 2023; and
 - o the disposal or transfer is carried out on the basis of contracts, agreements or operations concluded with, or otherwise involving the NSD before 3 June 2022.
- Member States may authorise (article 6b(5b)) the release of frozen funds/economic resources held by, or the making available of funds or economic resources to, Limited Liability Company "Commercial Vehicles – GAZ Group" ("**GAZ Group**"), provided that it is necessary for the



termination by 26 August 2023 of operations, contracts or other agreements concluded with, or otherwise involving, GAZ Group before 25 February 2023.

- The derogation ground under Article 6b(3) for which funds/economic resources can be unfrozen or made available to a designated person in relation to a sale and transfer of proprietary rights in an EU entity has been extended until 31 May 2023.

Reporting Requirements

Reg 426 also makes significant amendments to article 8, including a new requirement that EU persons supply information on funds or economic resources within the EU belong to, owned, held or controlled by a designated person which have *“been subject to any move, transfer, alternation, use of, access to, or dealing in the 2 weeks”* prior to designation. Such information must be provided to the relevant competent authority within 2 weeks of acquiring the information.

Amendments to Council Regulation 833/2014

Council Regulation (EU) No. 833/2014 (**“Reg 833”**) has been amended (by way of Council Regulation (EU) No. 2023/427) as follows:

Import and export restrictions

Further restrictions on imports have been introduced for goods which generate significant revenues for Russia. These goods are bitumen and related materials like asphalt, as well as synthetic rubber and carbon blacks.

New export restrictions have been introduced for dual-use goods and technology as well as goods and technology which might contribute to the technological enhancement of Russia’s defence and security sector. 96 entities who are directly supporting Russia’s military and industrial complex have been listed as military end-users. This, for the first time, includes seven Iranian entities who have been involved in providing the Russian military with Unmanned Aerial Vehicles which have been used to attack civilian infrastructure in Ukraine.

The list of restricted items which might contribute to Russia’s military and technological enhancement or the development of its defence and security sector has been extended. The new restricted items in question include additional electronic components used in Russian weapons systems (drones, missiles, helicopters, other vehicles), as well as bans on specific rare earths and thermographic cameras with military applications.



Additional export bans have also been implemented on goods that can be used to support the Russian war effort or enhance Russian industrial capacities, including:

- Vehicles (e.g. heavy trucks and special vehicles like snowmobiles);
- Goods easily directed to Russian military (e.g. electric generators, binoculars, radars, compass);
- Construction goods (e.g. bridges, fork lift trucks and cranes);
- Complete industrial plants; and
- Certain goods used in the aviation industry (e.g. turbojets).

Reg 833 has also been amended to incorporate the following:

- A prohibition on the booking of gas storage within the EU by a Russian person. Although, this prohibition does not extend to facilities used for the storage of liquified natural gas (LNG);
- As of 27 March 2023, it will be prohibited to allow Russian nationals or natural persons residing in Russia to hold any posts in the governing bodies of the owners or operators of critical infrastructures, European critical infrastructures and critical entities. New definitions have been added to Article 1 of Reg 833 in this regard; and
- Enforcement and anti-circumvention measures including:
 - o Aircraft operators of direct or indirect “non-scheduled” (private) flights between the EU and Russia, shall notify the flight to their competent authority at least 48hrs in advance; and
 - o The prohibition on the transit via the territory of Russia of dual-use goods and technology and of arms exported from the EU.

Reporting Requirements – article 5a

Reg 427 imposes reporting obligations at Article 5a with respect to assets and reserves of the Central Bank of Russia. Specifically, EU persons must provide, no later than 2 weeks after 26 February 2023, to relevant competent authorities and the European Commission, information on the assets and reserves of the Central Bank of Russia which they hold or control or are a counterparty to. Such information must be updated every three months.



- Information identifying the natural or legal persons, entities or bodies holding or controlling such assets;
- The market value of such assets and reserves;

Other amendments

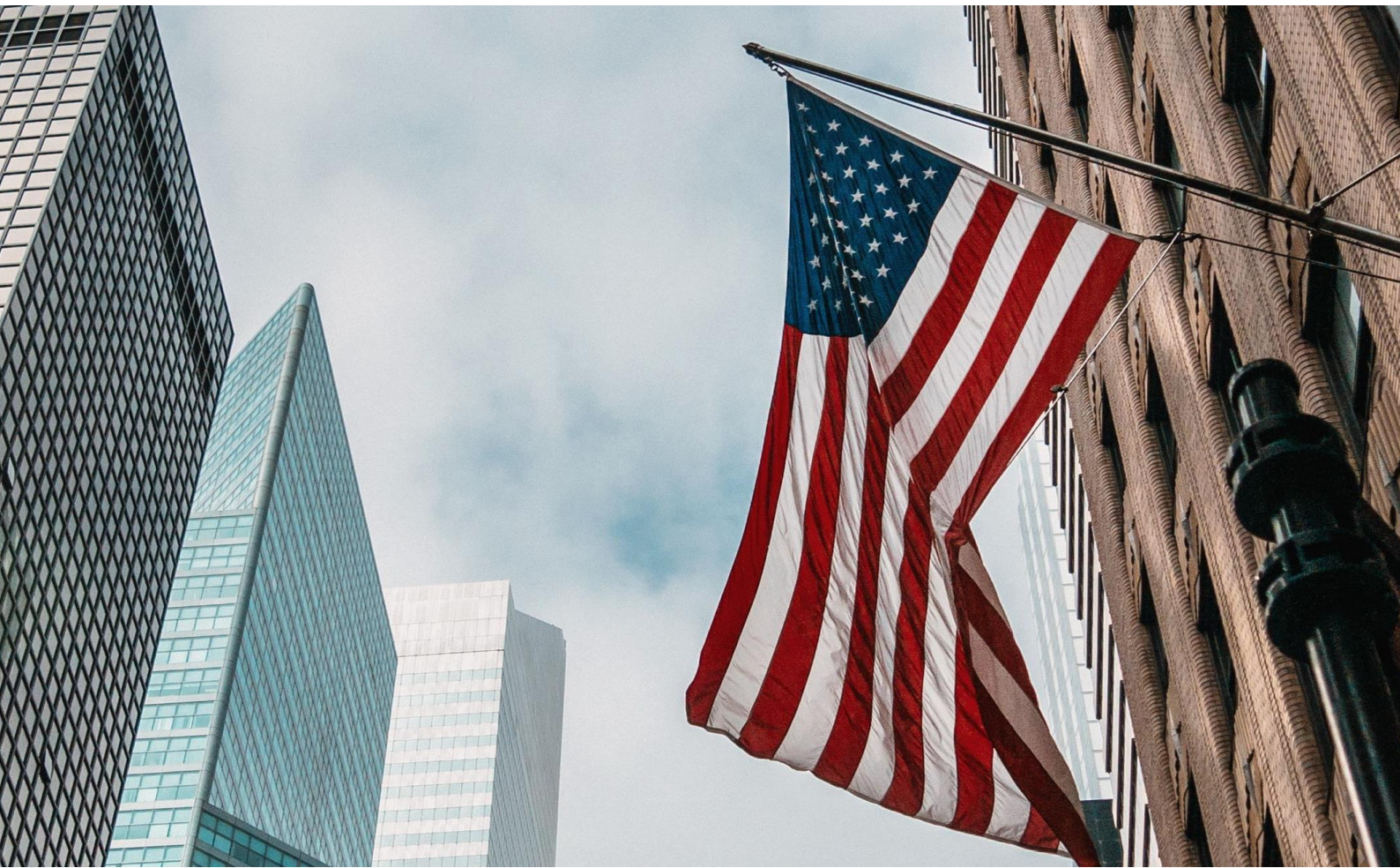
- The derogation in article 5aa(3a) is amended to extend the derogation until 31 December 2023;
- A new derogation ground with respect to Article 5n (professional service restrictions) has been added at article 12b which allows authorities to authorise the continuation of ongoing professional services where it is strictly necessary for the divestment from Russia, or the wind down of business activities in Russia, provided the following conditions are met:
 - Such services are for the exclusive benefit of legal persons/entities/bodies resulting from the divestment; and
 - The competent authorities have no reasonable grounds to believe that the services might be provided (directly or indirectly) to the Government of Russia or a military end-user or have a military end-use in Russia.

Updated FAQ's

The EU has issued updated FAQs on the announcement of its 10th package of Sanctions against Russia, which can be found [here](#).

Belarus

On 27 February 2023, the EU published Council Implementing Regulation (EU) 2023/419 which imposes a series of asset freezes relating to 21 natural and two legal persons, including Synesis LLC and JSC Belarusian Potash Company.



United States

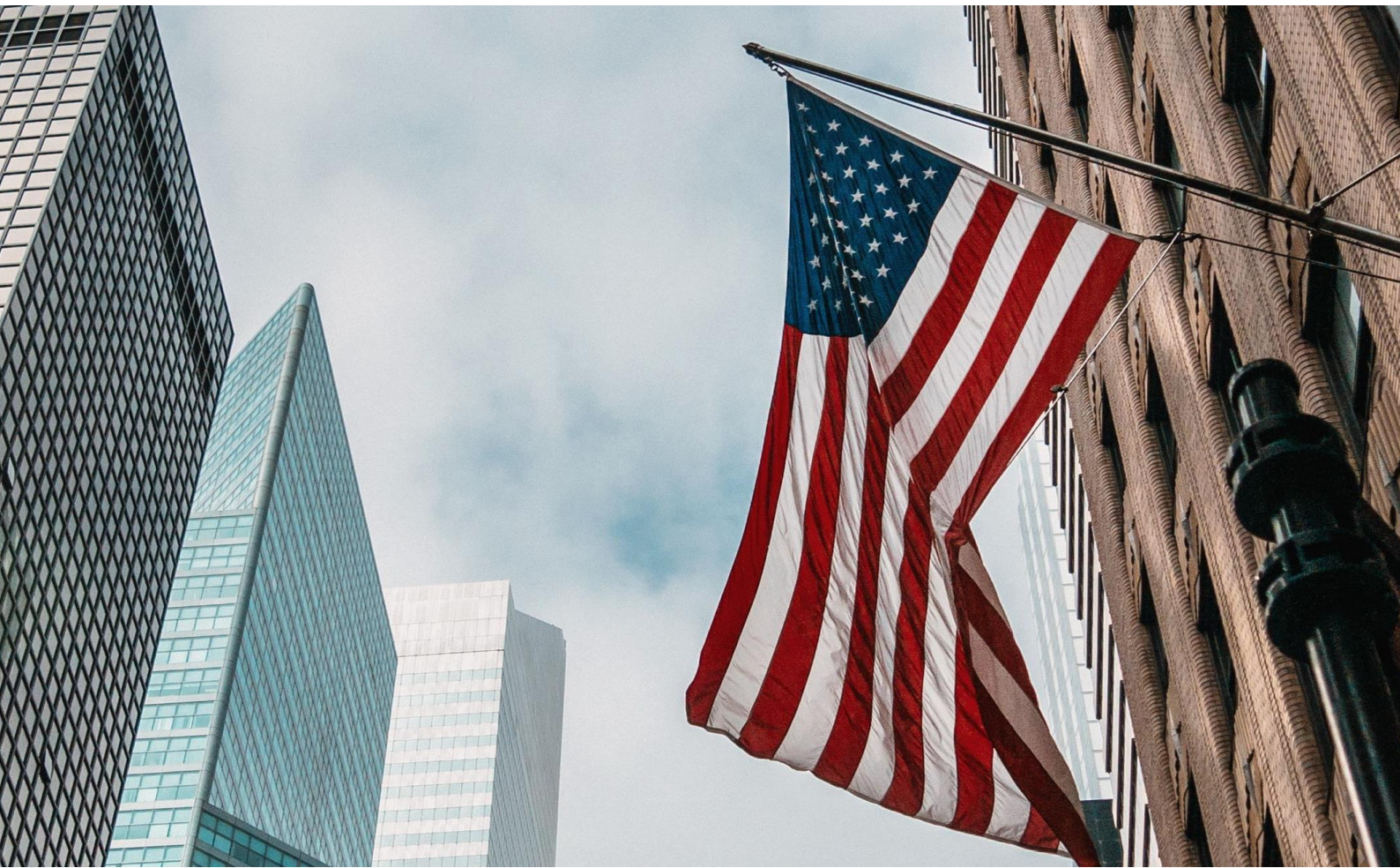
On February 8, 2023, the Office of Foreign Assets Control (OFAC) published [Frequently Asked Question No. 1113](#), which clarifies the reach of investment prohibitions in Executive Orders (EO) 14066, 14068, and 14071 (which were issued in March and April 2022) with respect to inheritance. If a decedent's estate includes securities issued by non-blocked Russian entities, transfer by U.S. persons of those securities through inheritance to the relevant beneficiary of the decedent's estate is not prohibited under those EOs, provided that such transfers:

- (i) are part of the ordinary course administration of the decedent's estate,
- (ii) do not involve an exchange for value, and
- (iii) have no other sanctions nexus (including the involvement of blocked persons). However, blocked securities in a decedent's estate must remain blocked.

On February 9, 2023, OFAC, in coordination with the U.K. government, [added](#) 7 Russian individuals to the SDN list for their [involvement](#) in the Russia-based cybercrime gang Trickbot. Russian cybercriminals have attacked critical infrastructure, including medical facilities, in both the U.S. and the U.K., and have facilitated money laundering in connection with Russian illicit finance.

On February 24, 2023, one year since Russia's invasion of Ukraine, [OFAC](#) and the [Bureau of Industry and Security](#) (BIS) issued a number of new Russia-related actions. Specifically, OFAC:

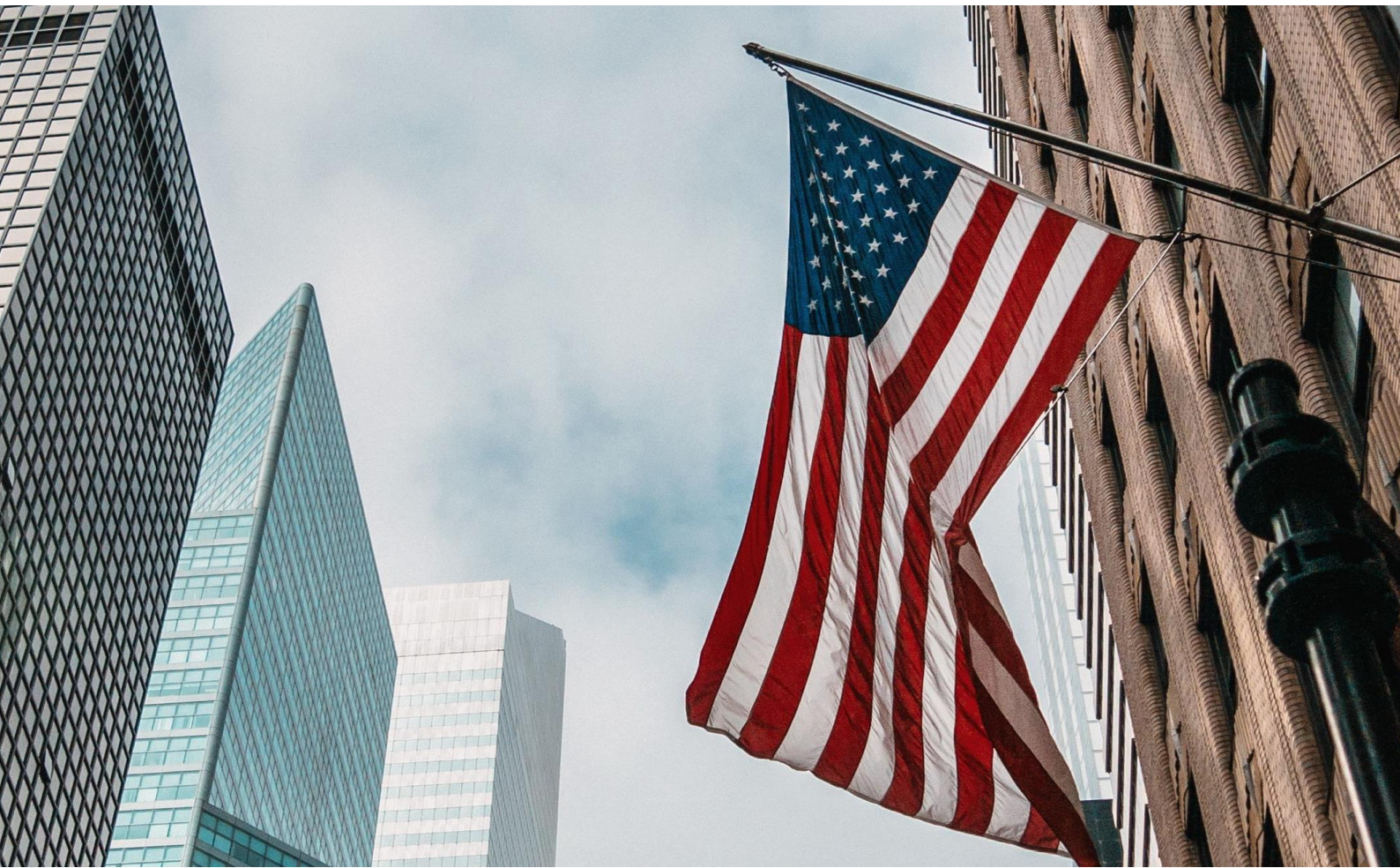
1. issued a [Determination Pursuant to Section 1\(a\)\(i\) of Executive Order 14024](#) to target the metals and mining sector of the Russian economy, accompanied by Frequently Asked Questions Nos. [1114-1117](#). Pursuant to this determination, OFAC designated 4 entities for operating or having operated in this sector. The term "metals and mining sector of the Russian Federation economy" [includes](#)
 - a. any act, process, or industry of extracting, at the surface or underground, ores, coal, precious stones, or any other minerals or geological materials in the Russian Federation, or
 - b. any act of procuring, processing, manufacturing, or refining such geological materials, or transporting them to, from, or within the Russian Federation;
2. further targeted financial service providers with the designation of 14 Russian banks and financial institutions for operating or having operated in the Russian financial services sector, as well as 15



entities and individuals for providing wealth-management services to Russian high net-worth individuals;

3. issued the following wind down and energy-related General Licenses (GL):
 - [GL 60](#) – authorizing, through 12:01 a.m. eastern daylight time, May 25, 2023, the wind down and rejection of transactions involving certain financial institutions that were blocked on February 24, 2023;
 - [GL 61](#) – authorizing, through 12:01 a.m. eastern daylight time, May 25, 2023, the wind down of certain securities and derivatives transactions involving certain of these financial institutions;
 - amended [GL 8F](#) – adding certain financial institutions to the authorization to process certain energy-related transactions;
4. [designated](#) 35 entities and individuals for their participation in Russia’s sanctions evasion efforts (including those related to arms trafficking and illicit finance), including Russian businessman Aleksandr Yevgenyevich Udodov, who is the former brother-in-law of Russian Prime Minister Mikhail Mishustin, along with Udodov’s business entities in Russia and abroad;
5. in an effort to further degrade Russia’s military capabilities, [designated](#) 37 entities and individuals involved in Russia’s military supply chain, including producers of carbon fiber and related advanced materials, researchers and producers in aerospace industry, producers and importers of microelectronics and other specialized or high-tech equipment used by Russia’s defense entities, providers of defense sector insurance, and providers mercenary services;
6. [added](#) 22 Russian vessels to the SDN List and [deleted](#) 3 affiliates of the Credit Bank of Moscow from the Non-SDN Menu-Based Sanctions List;
7. published Frequently Asked Questions No. [1118](#), clarifying that [GL 13D](#) does not authorize transactions that involve the payment of an “exit tax” proposed by the Russian government prior to the divestment of assets located in Russia;

BIS [issued](#) four export control-related rules developed in concert with its international partners:



1. The first rule, "[Implementation of Additional Sanctions Against Russia and Belarus Under the Export Administration Regulations \(EAR\) and Refinements to Existing Controls](#)," revised the Export Administration Regulations (EAR) to expand the scope of sanctions against Russian and Belarusian oil and gas production, commercial and industrial items, chemical and biological precursors, and luxury goods to better align them with the controls that have been implemented on Russia and Belarus by U.S. allies and partners. Hundreds of items in these sectors will require a license for export or reexport to or transfer within Russia or Belarus.
2. The second rule, "[Export Control Measures on Iran Under the Export Administration Regulations \(EAR\) to Address Iranian Unmanned Aerial Vehicles \(UAV\) and Their Use by Russia Against Ukraine](#)," imposed export license requirements for a subset of generally low-technology (EAR99) items, listed in Supplement No. 7 to [CFR part 746](#), including semiconductors that are destined for Iran, regardless of whether a U.S. person is involved in the transaction.
 - a. It also created a new "Iran Foreign Direct Product (FDP) Rule" specific to Iran for items in certain categories of the Commerce Control List and the EAR99 items identified in Supplement No. 7.
 - b. Finally, the rule revised the existing Russia/Belarus FDP rule to cover EAR99 items that have been found in UAVs contain parts and components branded U.S. or U.S.-origin.
3. The [third](#) and [fourth](#) rules added 86 entities to the Entity List for a variety of reasons related to their activities in support of Russia's defense-industrial sector and war effort, 79 of which were added under the country heading of Russia, with the remaining entities were added under China, Canada, France, Luxembourg, and the Netherlands (some being cross-listed under Russia). Of the 79 Russia-designated entities, 76 were also designated as "Russian/Belarusian Military End Users." These rules also revised 4 existing entities designated under Russia.
4. Finally, BIS issued a [Temporary Denial Order](#) (TDO) suspending the export privileges of Russian company Radiotester OOO a/k/a Radiotester LLC, as well as Russian individual Ilya Balakaev, for the unauthorized export of controlled counterintelligence items to Russia and North Korea



Switzerland

Implementation of the 10th EU sanction package

Switzerland continued to align its sanction regime with that of the European Union.

On 9, 16 and 21 December 2022, Switzerland updated the Ordinance to keep in line with the 8th sanction package.

On 25 January 2023, it updated the Ordinance on measures related to the situation in Ukraine to match the restrictions set forth by the EU in the 9th sanction package of 16 December 2023.

The main take-aways are:

- Expansion of the list of sanctioned goods, namely for aerospace
- Prohibition to invest in the mining sector
- Reporting duties on certain petroleum product imports into Switzerland
- Disinvestment and liquidation of Russian assets is facilitated
- Update of persons of asset freeze
- Facilitation of grain and fertilizer exports, even if persons under asset freeze or sanctioned banks are involved
- Prohibition to hold a position in a Russian state owned company
- Expansion of the list of prohibited services: opinion poll, technical testing and analysis and advertising

Finally, on 15 February 2023 Switzerland adopted the European Union price cap for crude oil and oil products.

Contacts

Should you require any further information in respect of any or all of the new sanctions, including a review of relevant contractual provisions, please contact:

United Kingdom



James Lindop
Head of Competition, EU & International Trade

T: +44 20 7919 4718
M: +44 781 015 1278
jameslindop@
eversheds-sutherland.com



Zia Ullah
Co-Global Head of Corporate Crime and Investigations

T: +44 207 919 4500
M: +44 782 694 4979
ziaullah@
eversheds-sutherland.com



Simon Gamlin

T: + 44 20 7919 4689
M: + 44 776 289 6040
simongamlin@
eversheds-sutherland.com



James Cottrell

T: +44 20 7919 4864
M: +44 744 284 0581
jamescottrell@
eversheds-sutherland.com



Lizzy Coleman

T: +44 20 7919 4780
M: +44 776 764 7184
elizabethcoleman@
eversheds-sutherland.com



Victoria Turner

T: +44 161 831 8718
M: +44 786 715 5047
victoriaturner@
eversheds-sutherland.com



Monika Zejden - Erdmann

T: +44 20 7919 4910
M: +44 779 907 2075
monikazejden-erdmann@
eversheds-sutherland.com



Robyn Brown

T: +44 161 831 8704
M: +44 782 550 3652
robynbrown@
eversheds-sutherland.com



Jack Wray

T: +44 20 7919 1807
M: + 44 778 836 0849
jackwray@
eversheds-sutherland.com



Kimberly Jones

T: + 44 20 7919 0953
M: + 44 758 450 6866
KimberleyJones@
eversheds-sutherland.com

European Union



Anu Mattila
Finland

T: +358 10 6841 300
anu.mattila@
eversheds-sutherland.fi



Pamela O'Neill
Ireland

T: +35 3 16 64 42 41
pamelaoneill@
eversheds-sutherland.ie



Ciaran Walker
Ireland

T: +35 3 16 64 49 86
ciaranwalker@
eversheds-sutherland.ie



Alexander Stolzka
Austria

T: +43 1 51620 150
alexander.stolzka@
eversheds-sutherland.at



Michael Röhsner
Austria

T: +43 1 51620 160
michael.roehsner@
eversheds-sutherland.at



Kathrin Gack
Germany

T: +49 8 95 45 65 34 0
kathringack@
eversheds-sutherland.com



Tatjana Tscherevko
Germany

T: +49 15170310939
tatjanatscherevko@
eversheds-sutherland.com



Sarah Monnerville Smith
France

T: +33 1 55 73 40 34
sarahmonnervillesmith@eversheds-
sutherland.com

US



Ginger Faulk

T: +1.202.383.0981
gingerfaulk@
eversheds-sutherland.com



Mark Herlach

T: +1.202.383.0172
markherlach@
eversheds-sutherland.com



Sarah Paul

T: +1.212.301.6587
sarahpaul@
eversheds-sutherland.com



Jeffrey Bialos

T: +1.202.445.1112
jeffbialos@
eversheds-sutherland.us



Michael Petrov

T: +1.404.853.8167
michaelpetrov@
eversheds-sutherland.com



Nicholas Hillman

T: +1.202.383.0127
nicholashillman@
eversheds-sutherland.us



Lamine Hardaway

T: +1.301.787.7924
laminehardaway@
eversheds-sutherland.com

Switzerland



Patrick Eberhardt

T: +41 22 818 45 00
M: +41 78 932 02 89
patrick.eberhardt@
eversheds-sutherland.ch



Michael Lepper

T: +41 22 818 45 00
M: +41 78 625 02 79
michael.lepper@
eversheds-sutherland.ch



Tigran Serobyan

T: +41 22 818 45 00
M: +41767414687
tigran.serobyan@
eversheds-sutherland.ch

Asia



Adam Ferguson

T: +852 2186 3248
adamferguson@
eversheds-sutherland.com



Jocelyn Chow

T: +852 2186 4933
M: +852 6391 0269
jocelyncchow@
eversheds-sutherland.com

Middle East



Clint Dempsey

T: +971 4 389 7018
M: +971 55 414 9734
clintdempsey@
eversheds-sutherland.com



Rebecca Copley

T: +971 4 389 7044
M: +971 52 742 0913
rebeccacopley@
eversheds-sutherland.com

eversheds-sutherland.com

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