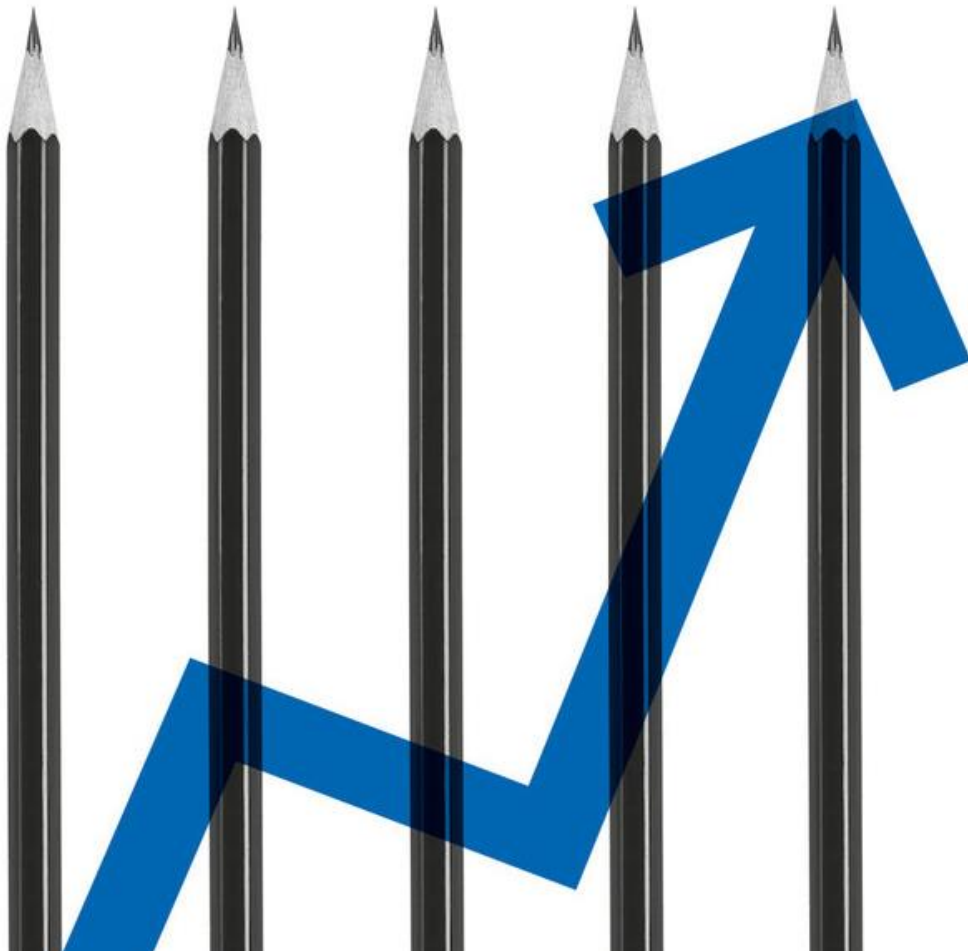


**Keeping you up to speed**  
Russia sanctions update

19 May 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 25 April 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](#)



# United Kingdom

## **New measures**

On 4 May 2022, the UK government announced a ban on the provision of certain services being provided to Russia. The services explicitly mentioned were:

- management consulting;
- accounting; and
- public relations.

On 9 May 2022, the UK government announced that new import tariffs will apply to precious metals imported from Russia and Belarus, including platinum and palladium. In addition, an export ban targeting chemicals, plastics, rubber and machinery will be introduced in the next round of sanctions legislation.

The legislation for these restrictions has not yet been issued but is expected imminently. Those operating in these sectors will need to assess their exposure to Russia if they have not already done so.

## **Asset Freezes**

On 4 and 5 May 2022, OFSI announced a number of additional asset freezes pursuant to the Russia sanctions regime. These include, amongst others:

- a number of individuals working in Russian media;
- a number of companies operating and supporting the Russian defence sector;
- Evraz Plc – a UK incorporate holding company of a multinational steel manufacturing and mining group;
- All-Russia State Television and Radio Broadcasting Company (“**VGTRK**”);
- All-Russian Public Organization Society For The Promotion Of Russian Historical Development Tsargrad;



- Analiticheskii Tsentri Katekhon OOO – an apparent think tank which allegedly proliferates anti-Western disinformation and publishes extreme anti-Ukraine content; and
- a number of online organisations which spread disinformation and promote Russia’s narrative of the invasion of Ukraine.

On 13 May 2022, OFSI announced asset freezes which include, amongst others:

- Alina Maratovna Kabaeva – Chair of the Board of Directors at Russia’s National Media Group;
- Viktor Nikolaevich – a Russian lawyer and businessman who is a friend and relative of President Putin;
- Mikhail Alekseevich Klishin – member of the board of directors of JSC Sogaz; and
- Yuri Nikolayevich Shamalov – President of Gazfond and a member of the Board of Directors of Gazprombank.

On 19 May 2022, OFSI announced further asset freezes against:

- JSC Rossiya Airlines;
- JSC Ural Airlines; and
- PJSC Aeroflot.

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**

There have been a number of updates with respect to General Licences:

### General Licence INT/2022/1679676

On 27 April 2022, OFSI issued General Licence INT/2022/1679676 under Regulation 21 of the [Global Anti-Corruption Sanctions Regulations 2021](#) and Regulation 64 of the [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#).

This General Licence authorise a Non-Crown Relevant Organisation (namely the FCA and any other organisation authorised by HM Treasury) to carry out duties for Asset Recovery Purposes which are defined as:

- investigating proceeds of crime;
- activities connected with asset preservation in connection with the proceeds of crime; and
- enforcement and recovery of proceeds of crime.

In addition, the General Licence authorises a person to carry out any action necessary to comply with or give effect to any of the following for Asset Recovery Purposes:

- various listed court orders which essentially relate to asset recovery in connection with the proceeds of crime;
- a negotiated settlement with the FCA, National Crime Agency, Serious Fraud Office, HMRC, Crown Prosecution Service, the Crown Office and Procurator Fiscal Service, the Public Prosecution Service Northern Ireland, a UK police force, Scottish Ministers and any other organisation authorised by HM Treasury; or
- an approved deferred prosecution agreement to which either the National Crime Agency, Serious Fraud Office, HMRC, Crown Prosecution Service, the Crown Office and Procurator Fiscal Service, the Public Prosecution Service Northern Ireland, a UK police force, Scottish Ministers or any other organisation authorised by HM Treasury is a party

Reporting requirements apply.



This General Licence took effect from 27 April 2022 and is of indefinite duration. It may be varied, revoked, or suspended by HM Treasury at any time.

#### General Licence INT/2022/1710676

On 5 May 2022, OFSI issued General Licence INT/2022/1710676 under Regulation 64 of the [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#).

This General Licence authorises persons to continue business operations involving the North American Subsidiaries of Evraz PLC (namely Evraz North America Plc, Evraz Inc. NA and Evraz In. NA-Canada). This includes, but is not limited to:

- payments to or from the North American Subsidiaries under any obligations or contracts;
- payments to or from any third party under any obligations or contracts; and
- receipt of payments made by the North American Subsidiaries for audit services.

This General Licence took effect on 5 May 2022 and expires on 2 September 2022.

#### General Licence INT/2022/167847

On 13 May 2022, OFSI issued General Licence INT/2022/1678476 under Regulation 64 of the [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#).

This General Licence has 3 separate components and:

- authorises the Amsterdam Trade Bank N.V (“**ATB**”) (a majority owned subsidiary of Alfa-Bank JSC) to make payments for its basic needs, including salary payments, pension payments, payment of taxes and payments to suppliers of goods and services;
- authorises the processing of payments in connection with Insolvency Proceedings relating to ATB; and
- provides for a wind down period to enable persons to wind down any transactions involving ATB or its subsidiaries. This specifically includes (but is not limited to) the closing out of positions and the restructuring of loans and other debt.

This General Licence took effect from 12 May 2022 and expires on 12 May 2023.



#### General Licence INT/2022/1469378

On 13 May 2022, OFSI extended the wind-down licence relating to Sovcomflot until 30 June 2022.

#### **FCA webpage on reporting sanctions evasions**

The Financial Conduct Authority (FCA) has published a [page](#) on its website on reporting sanctions evasion or weaknesses in sanction controls. The FCA makes it clear that it wants to hear about sanctions evasion issues for firms on the financial services register, other FCA registers or companies with UK-listed securities.

The FCA:

- Sets out how firms can report sanctions evasions to the FCA;
- Identifies what the FCA wants to hear about;
- Explains how to report another firm or individual; and
- Summarises other important information for firms to be aware of. This includes if a firm is sharing information with the FCA, it must still fulfil any statutory legal requirements it has under, for example, the Proceeds of Crime Act 2002 or the Sanctions and Anti-Money Laundering Act 2018.

The FCA says it will review firms' reports to see if its teams need to take any further action. It notes that it will be unable to share any action it may take on a report.

The FCA states that even if the information provided does not result in the FCA taking formal action against a firm or individual, it may help it build up a picture of conduct risk or inform how it develops policy and work with partners to assist the UK enforcement of sanctions.





## European Union

On 4 May 2022 the European Commission presented its proposed sixth round of sanctions against Russia.

The proposed package included:

1. Listing high-ranking military officers and other individuals who committed war crimes in Bucha and who are responsible for the siege of Mariupol;
2. The removal of a further 3 Russian banks – reported to be Sberbank, Credit Bank of Moscow and the Russian Agricultural Bank from SWIFT;
3. A ban on three Russian state-owned broadcasters from distributing their content in the EU in any form;
4. A ban on EU firms from providing accountancy, consultancy or public relations services to Russian companies;
5. A complete ban on all Russian oil imports, seaborne and pipeline, crude and refined before the end of 2022. Under the ban Russian supply of crude oil will be phased out within six months and refined products will be phased out by the end of the year, with longer phase outs to cushion the effect on some central and European countries.

The sanctions package is currently being considered by EU member states although reports suggest we could be a couple of weeks away from any further announcements, with the proposed ban on oil causing concern for some member states.

### **Payments for gas**

On 13 May 2022, [media reports](#) indicated that the EU had issued draft guidance to member states advising that companies can continue to purchase gas from Russia without breaching EU sanctions. The guidance reportedly states that companies should make it clear that they consider their obligations fulfilled once they have paid in EUR or USD. The guidance also reportedly confirms that EU sanctions do not prohibit companies from opening bank accounts with designated banks for payments due under contracts for the supply of natural gas.





## United States

On April 25, 2022, OFAC issued Ukraine-/Russia-related [General License \(GL\) 13R](#) and [General License 15L](#),

- revising GL13 from authorizing certain transactions necessary to divest or transfer debt, equity, or other holdings in GAZ Group to authorizing the wind down of certain transactions necessary to divest or transfer debt, equity, or other holdings in GAZ Group, and extending the deadline for 13R to May 25, 2022; and
- revising GL15 from authorizing certain activities involving GAZ to transactions and activities ordinarily necessary and incident to the wind down of transactions involving GAZ Group through May 25, 2022.

OFAC also issued revised FAQs, clarifying, for instance, that GL 15L authorizes US persons to receive but not send accelerated payments or voluntary prepayments from GAZ Group for the wind down of transactions.

On April 29, 2022, OFAC announced the reissuance and renaming of the Ukraine-Related Sanctions Regulations as the [Ukraine-/Russia- Related Sanctions Regulations](#), effective May 2, 2022. The amended regulations incorporate prohibitions and authorizations found in various Executive Orders and General Licenses issued since 2014, respectively.

On May 2, 2022, OFAC issued [General License 30](#), authorizing through 12:01 am EDT, September 30, 2022, all transactions involving Gazprom Germania GmbH or its subsidiaries that are prohibited by Directive 3 under EO 14024. GL 30 effectively lifts Directive 3 prohibitions for Gazprom Germania GmbH through the GL expiration date.

On May 5, 2022, OFAC issued:

- [General License 7A](#), incorporating the Russia Harmful Foreign Activities Sanctions Regulations authority adding clarification that the GL does not authorize any debit to an account on the books of a U.S. 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 26A](#), adding Sberbank (Switzerland) AG to the list of the Sberbank entities covered by the GL;





- [General License 31](#), authorizing certain transactions in connection with a patent, trademark, copyright, or other form of intellectual property protection in the United States or the Russian Federation; and
- [General License 32](#), authorizing wind down of transactions involving Amsterdam Trade Bank NV.
- FAQ 1032, clarifying that GL 28 authorizes US persons to engage in certain transactions that are ultimately destined for or originating from Afghanistan involving TKB or its subsidiaries, and that GL 28 also authorizes US financial institutions to operate correspondent accounts on behalf of TKB as long as the accounts are used solely to effect transactions ultimately destined for or originating from Afghanistan that are authorized by the GL.

On May 8, 2022, OFAC:

- added individuals and entities, including the board members of two of Russia’s most important banks, Sberbank and Gazprombank, a Russian state-owned bank, **Joint Stock Company Moscow Industrial Bank**, and 10 of its subsidiaries, a state-supported weapons manufacturer, **Limited Liability Company Promtekhlogiya**, and three of Russia’s state-controlled television stations that generate revenue for the state, **Joint Stock Company Channel One Russia**, **Television Station Russia-1**, and **Joint Stock Company NTV Broadcasting Company**, to the SDN List;
- published:
  - a [Determination Pursuant to Section 1\(a\)\(i\) of Executive Order 14024](#), identifying accounting,<sup>1</sup> trust and corporate formation,<sup>2</sup> and management consulting<sup>3</sup> as the sectors of the Russian Federation economy that are subject to sanctions pursuant to E.O. 14024.

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<sup>1</sup> “Accounting” includes “the measurement, processing, and transfer of financial data about economic entities.” OFAC FAQ #1038.

<sup>2</sup> “Trust and corporate formation” includes “assisting persons in forming or structuring legal persons, such as trusts and corporations; acting or arranging for another person to act as directors, secretaries, administrative trustees, trust fiduciaries, registered agents, or nominee shareholders of legal persons; providing a registered office, business address, correspondence address, or administrative address for legal persons; and providing administrative services for trusts.” OFAC FAQ #1038.

<sup>3</sup> “Management consulting” includes “strategic advice; organizational and systems planning, evaluation, and selection; marketing objectives and policies; mergers, acquisitions, and organizational structure; staff augmentation and human resources policies and practices; and brand management.” OFAC FAQ #1038.





- a [Determination Pursuant To Section 1\(a\)\(ii\) Of Executive Order 14071](#), identifying accounting, trust and corporate formation, and management consulting as categories of services that are subject to a prohibition on the export, reexport, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, to any person located in Russia, effective June 7, 2022.
  - The determination excludes services (1) to an entity located in Russia owned or controlled, directly or indirectly, by a United States person; and (2) in connection with the wind down or divestiture of an entity located in the Russian Federation that is not owned or controlled, directly or indirectly, by a Russian person.

The prohibition on trust and corporate formation services includes the provision of legal services under Russian law or jurisdiction, as the authorization to provide legal services pursuant to 31 CFR 587.506 applies only to legal advice and counselling on the requirements of and compliance with US laws or proceedings before US courts or agencies – not Russian laws or Russian courts.

– issued:

- [GL 25A](#), revising the GL to clarify that the telecommunications-related authorization does not apply to transactions involving Joint Stock Company Channel One Russia, Joint Stock Company NTV Broadcasting Company, or Television Station Russia-1.
- [GL 33](#), authorizing through 12:01 am EDT, June 7, 2022, transactions ordinarily incident and necessary to the wind down of operations, contracts, or other agreements involving the following that were in effect prior to May 8, 2022:
  1. Joint Stock Company Channel One Russia;
  2. Joint Stock Company NTV Broadcasting Company;
  3. Television Station Russia-1;

Any payment to a blocked person must be made into a blocked account located in the United States.

- [GL 34](#), authorizing through 12:01 am EDT, July 7, 2022, transactions ordinarily incident and necessary to the wind down of the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a US person, wherever located, of accounting, trust and corporate formation, or management consulting services to any person located in the Russian Federation.





- [GL 35](#), authorizing through 12:01 am EDT, August 20, 2022, transactions ordinarily incident and necessary to the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of credit rating<sup>4</sup> or auditing services<sup>5</sup> to any person located in Russia.

On May 10, 2022, US Department of Commerce’s Bureau of Industry and Security (BIS) released a [rule](#) that, effective May 11, 2022, “expands the scope of the Russian industry sector sanctions by adding 205 6-digit Harmonized Tariff Schedule (HTS) codes and the corresponding 478 Schedule B numbers to the list of items requiring a license for the export, reexport, or transfer (in-country) to Russia in order to better align with restrictions put in place by the European Union.” The newly-added items are classified as EAR99, thus previously did not require a license for most exports to Russia.

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<sup>4</sup> “Credit rating services” means services related to “assessments of a borrower’s ability to meet financial commitments, including analysis of general creditworthiness or with respect to a specific debt or financial obligation.”

<sup>5</sup> “Auditing services” means “examination or inspection of business records by an auditor, including checking and verifying accounts, statements, or other representation of the financial position or regulatory compliance of the auditee.”





## Switzerland

Effective 27 April 2022 at 18:00, Switzerland further implemented the EU's fifth sanction package of 8 April 2022 and updated the Ordinance establishing measures in relation to the situation in Ukraine (RS 946.231.176.72).

In a first step, on 15 April 2022, Switzerland only updated the list of sanctioned individuals and companies and postponed the further implementation of the far reaching commercial and financial restrictions of the EU's fifth sanction package.

This has happened now and the impact on financial and export/industry is considerable. Certain new measures target **all Russian nationals** and **residents of the Russian Federation** that have used the Swiss banking and fiduciary system to hold their assets via trusts. Also crypto-currencies are specifically covered.

We summarise the most important features of the new measures below.

### **Prohibition regarding trusts for Russian beneficiaries**

This new sanction measure targets all Russian nationals and residents (including non-Russian nationals) that use trusts and similar structures to hold their money and economic resources. This measure applies regardless whether they have ties to the Russian government and/or actively support the war against the Ukraine.

Where a Russian national or resident is the settlor or the beneficiary, it is now prohibited to:

- create trusts; and
- provide any services to such trusts (including existing ones), be it as a trustee, manager, secretary or holder of any interest

These prohibitions are widely drafted and also apply where the settlor or beneficiary is a Russian-based company or a company owned (directly or indirectly) or controlled by Russian nationals and companies or Russian residents (including non-Russian nationals).





A carve-out applies to Swiss or EEA nationals or holders of temporary or permanent resident permits (Swiss or EEA) and the Swiss Secretariat for Economic Affairs SECO can decide on further exemptions (to fund medical or humanitarian actions or to fund promotion of democracy).

A transitional period applies until 29 May 2022 to unwind the existing transactions.

### **Crypto wallets of Russian nationals are targeted**

The Swiss government wants to avoid Swiss crypto-providers from becoming a safe haven for Russian money. In addition to the already existing prohibition on banks to receive funds in excess of CHF 100'000, Switzerland imposed crypto-specific measures.

It is now prohibited to provide services in relation to crypto-wallets or crypto-accounts or hold crypto-based economic resources. This applies to Russian nationals, Russian residents and Russian companies and organisations. The prohibition applies not for wallets or accounts with value below CHF 10,000 and Swiss nationals and EEA and Swiss resident (temporary or permanent) are exempted without limitation.

### **New Commercial restrictions**

The new commercial restrictions aim to further reduce the **sources of revenue** for Russia.

Prohibited/subject to a quota mechanism are the purchase and import from Russia of (plus any services related thereto, including financial services):

- coal and other solid fossil fuels;
- fertilizers; and
- export goods of importance for the Russian economy such as caviar, seafood, etc as set forth in a specific annex to the Ordinance.

The new commercial restrictions also intend **to weaken the Russian economy**. Prohibited are now the sale and export to Russia of (plus any services related thereto, including financial services):

- aircraft fuel; and
- goods that could strengthen the industrial output of Russia, notably high tech industrial robots or certain chemical products, etc, as set forth in a specific annex to the Ordinance.





### **Other measures**

To further weaken the Russian state, support within the framework of a Swiss national programme of Russian organisations which are publicly owned or controlled is also prohibited.

Switzerland also prohibits its skies and airports to Russian operated or registered aircraft.

Other financial and commercial restrictions were further refined.

Not yet implemented is the EU ban concerning the award of public contracts to Russian nationals and organisations or entities established in Russia. The implementation of this ban raises various questions with regard to the allocation of competences between the Swiss Confederation and the cantons and the scope of application. Currently, Russian nationals or individuals or companies based in Russia are of marginal importance for public tenders in Switzerland.



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