

DEVELOPMENTS IN UKRAINE: THE LATEST GLOBAL SANCTIONS AND EXPORT CONTROLS

In response to recent events in Ukraine, the United States (US), European Union (EU) and United Kingdom (UK), Japan, and Australia, among others, have imposed a broad range of sanctions and export controls.

This briefing was published at 12.00 pm GMT on 26 February 2022.

The following briefing provides an overview of the sanctions and export controls imposed by the US, EU, UK, Japan and Australia, **as of 12 pm GMT, 26 February 2022.**

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

US SANCTIONS

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 [Executive Order \("EO"\) 14024](#) or [EO 14039](#) :

- 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;

- Denis Aleksandrovich Bortnikov, Vladimir Sergeevich Kiriyyenko, 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; and
- Five vessels, the Baltic Leader, Linda, Pegas, Fesco Magadan and Fesco Moneron, owned by a subsidiary of PSB

To coincide with these designations, the US Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") simultaneously issued general licenses authorizing:

- transactions with VEB and its 50% or more directly or indirectly owned subsidiaries that are 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;
- transactions that are ordinarily incident to the wind down of transactions involving VEB or its subsidiaries until 24 March 2022;
- transactions that are 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
- transactions that are 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 24 February 2022, the US also imposed blocking sanctions, under the authority of [EO 14038](#) , on 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.

On 25 February 2022, the Biden Administration announced that it would also impose blocking sanctions on the state-run Russian Direct Investment Fund (RDIF). As of this publication, RDIF has not yet been added to the SDN List.

The blocking sanctions under the above reference 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**").

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, absent an applicable OFAC license or exemption, 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):

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

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.

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 an [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" (the "**EO 14065**"). 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 also has issued six general licenses authorizing certain activity in the DNR and LNR regions otherwise prohibited by EO 14065. In summary the new general licenses are:

- General License 17: authorizes all transactions that are ordinarily incident and necessary to the wind down of transactions involving the DNR and LNR regions of Ukraine until 23 March 2022. Authorized transactions include 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, reexports, 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: 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: 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: 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: 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: 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.

OFAC has not yet issued any SDN designations under the 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 the EO 14065.

Additional General Licenses

On 24 February 2022, OFAC issued the following general licenses under EO 14024:

- 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 6: 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, or treatment of COVID-19, including research or clinical studies.

- General License 7: authorizes transactions for 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 to individuals in Russia.
- General License 8: authorizes, through 23 June 2022, transactions involving one or more of the following entities that are related to "energy" (as defined in the general license): VEB, Otkritie, Sovcombank, Sberbank, VTB and any entity owned 50% or more, directly or indirectly, by these financial institutions.
- General License 9: authorizes, through 24 May 2022, transactions that are 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, of 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 authorizes transactions that are 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.
- General License 10: authorizes, through 24 May 2022, transactions that are 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.
- General License 12: authorizes 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.

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

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 "**Final Rule**")¹, which significantly expands existing export controls on Russia. The new EAR measures primarily target Russia's defense, aerospace, and maritime sectors, and are designed to restrict the export and reexport of highly sensitive US technologies to Russia.

The Final Rule:

- expands EAR export controls jurisdiction and imposes new license requirements on a broader group of items subject to the EAR;
- expands export controls on Russian "military end users" and "military end uses";
- creates two new Foreign Direct Product ("FDP") Rules – one broadly applicable to Russia as a country and the other specifically directed at Russian "military end users" – which serve to further expand EAR export controls jurisdiction to items manufactured wholly outside of the United States; and
- imposes changes which will make it more difficult to obtain licenses or other authorizations to export, reexport, or transfer (in country) items subject to the EAR to Russia.

In addition, the Final Rule (at 2) "*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.

The Final Rule includes a savings clause that makes narrow exceptions to certain shipments of items already "*en route aboard a carrier to a port of export, reexport, or transfer (in country).*"

In contrast to OFAC's recent measures, BIS did not announce any new or additional export controls on Belarus.

¹ <https://www.federalregister.gov/public-inspection/2022-04300/export-administration-regulations-implementation-of-sanctions-against-russia>

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, reexports, 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, reexport, 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,
- Items manufactured outside the United States (i.e., foreign-produced items) using certain controlled US technology or software, or in a plant or major component of a plant that is a direct product of such technology or software.

Accordingly, even wholly non-US entities intending to reexport items subject to the EAR to Russia may be captured by the new restrictions.

While the new measures are specifically directed at Russia's defense, aerospace, and maritime sectors, 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

Export Control Classification Numbers ("**ECCNs**") in Categories 3–9 of the Commerce Control List ("**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, reexport, or transfer (in country) of these items to Russia.

These additional license requirements are "*intended to further restrict items to the Russian military and 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 to Russia.

In addition, these items 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 evaluating potential exports and reexports to Russia.

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

The Final Rule also expands the scope of the MEU Rule. Under this rule, a license is required if a party knows or has reason to know that any items controlled by the EAR (very narrow exceptions for certain items such as EAR99 food and medicine) are intended for a military end use or military end user in Russia even if the item is actually intended for civilian use.

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

New Foreign Direct Product ("FDP") Rules Specific to Russia

The Final Rule creates two new FDP rules specific to Russia:

- the "Russia FDP rule"; and the
- "Russia-MEU FDP rule."

The new FDP rules 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 Russia:

- The **Russia FDP Rule** asserts BIS export licensing jurisdiction over items manufactured wholly outside of the United States, including certain plants or major components, when the items are the direct product of US-origin software or technology. The Russia FDP Rule applies to transactions in which the parties know or have reason to know a foreign-produced item ultimately is destined for Russia or will be incorporated into or used for production/development of parts, components, or equipment that is ultimately destined for Russia. 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-MEU FDP Rule** expands the export licensing jurisdiction in a manner similar to the Russia FDP Rule, as it renders certain items manufactured wholly outside of the United States subject to the EAR (with accompanying licensing policy of denial). The Russia-MEU FDP Rule is limited to Russian Military End Users (denoted with a "footnote 3" designation on the Entity List

entry²). Unlike the Russia FDP Rule, the Russia-MEU FDP Rule includes EAR99 items produced by certain technology or software (subject to exceptions) as controlled content. As noted above, a total of 47 Russian entities were added to the Entity List and given a footnote 3 designation.

The Russia FDP Rule and Russia-MEU FDP Rule impose license requirements to reexport, export from abroad, or transfer (in-country) controlled items "*to any destination*" if known that the ultimate destination is Russia (Russia FDP Rule) or that there is the requisite involvement of a footnote 3–designated entity (Russia-MEU FDP Rule). (*Final Rule*, at 8–9).

This is designed to address multi-country manufacturing processes, as the license requirements will apply to, for example, exports and reexports from one manufacturing country to another so long as it is known that the item is ultimately destined for Russia 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.*" (*Final Rule*, at 8).

Exclusion of Certain Countries from the Expanded Licensing Requirements for Russia

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

These are countries that BIS has determined "are committed to implementing substantially similar export controls" on Russia, and notably include NATO countries and partner nations. (*Final Rule*, At 5).

Other Key Changes

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

EAR license exceptions for exports and reexports to, and in-country transfers in, Russia are restricted to only certain sections of the EAR Part 740 exceptions for Temporary Imports, Exports, Reexports, 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 in the past should review their licensing procedures and incorporate the new restrictions, as necessary.

² U.S. Department of Commerce & Bureau of Industry and Security Russia Rule Fact Sheet, U.S. Dep't Com. (Feb. 24, 2022), <https://www.commerce.gov/news/fact-sheets/2022/02/us-department-commerce-bureau-industry-and-security-russia-rule-fact-sheet> [hereinafter *Fact Sheet*].

- ***Policy of Denial for License Applications for Russia***

Applications for the export, reexport, or transfer of items subject to the EAR that require a license for Russia 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, humanitarian needs, government space cooperation, civil telecommunications infrastructure, government-to-government activities, and to support limited operations of partner country companies in Russia"—will be reviewed on a case-by-case basis. (per the Fact Sheet).

- ***Addition of Russia to Country Group D:5***

The 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 provisions § 126.1 of the US export regulations for defense and military items, the International Traffic in Arms Regulations ("**ITAR**") (22 CFR Parts 120–130).

UK SANCTIONS

Asset Freeze

On 24 February 2022, the UK Government announced an immediate asset freeze on the following six entities.

- VTB Bank
- Rostec
- United Aircraft Corporation
- Tactical Missiles Armament Corporation
- UralVagonZavod
- United Shipbuilding Corporation

The UK Government also imposed an immediate asset freeze on the following five individuals:

- Denis Alexandrovich Bortnikov
- Petr Mikhailovich Fradkov
- Kirill Nikolaevich Shamalov
- Yury Borisovich Slyusar
- Elena Alexandrovna Georgieva

In relation to VTB Bank ("VTB"), the Office of Financial Sanctions Implementation ("OFSI") published a General Licence late on 25 February 2021 authorising the wind down of transactions involving VTB Bank or VTB Capital in the UK, including the closing out of any positions, and carrying out any activity reasonably necessary to effect this.³

The General Licence took effect from 25 February 2022 and expires on 27 March 2022.

On 25 February 2022, the UK also imposed an asset freeze on Vladimir Putin, the President of the Russian Federation, and Sergei Lavrov, Russia's Minister of Foreign Affairs.

Other Sanctions

In addition, the UK Government announced⁴ its intention to implement additional sanctions to (currently expected to be set out in legislation on 29 February 2022):

- Freeze the assets of all Russian financial institutions. It appears this will include Sberbank, the largest bank in Russia.
- Prevent Russian state-owned and certain strategic private companies from issuing transferable securities and money market instruments in the UK: *"This will form a sweeping addition to existing financial restrictions. This is in addition to the prohibition of the Russian state raising sovereign debt in the UK already announced"*
- Prevent designated banks from accessing Sterling and clearing payments through the UK. The UK Government has said that this *"will match the power the US already has. Banks subject to this measure will be unable to process any payments through the UK or have access to UK financial markets"*.
- 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).
- Impose asset freezes on 120 new individuals or businesses in coordination with international allies, including the US and the EU.
- Ban the export of a range of *"high-end and critical technical equipment and components"* in sectors including electronics, telecommunications, aerospace and oil refinery.
- Ban Aeroflot from UK airspace.
- Extend financial and trade measures applying to Crimea to the DNR and LNR regions.

³ <https://www.gov.uk/government/collections/ofsi-general-licences>

⁴ <https://www.gov.uk/government/news/foreign-secretary-imposes-uks-most-punishing-sanctions-to-inflict-maximum-and-lasting-pain-on-russia>

These sanctions follow measures adopted on 22 February 2022 to designate five banks (including Bank Rossiya) and three individuals.

EU SANCTIONS

Since 22 February, the EU the US has imposed a range of sanctions as follows, including most recently a broad range of measures amending Regulation 833/2014 (see Regulation 2022/228 published late on 25 February 2022).⁵

Asset Freeze

Regulations (EU) 2022/260 and 2022/261 of 23 February 2022 and Regulation (EU) 2022/332 of 25 February 2022 impose an asset freeze on the following individuals and entities:

- VEB.RF (a.k.a Vnesheconombank)
- Internet Research Agency
- Bank Rossiya
- Promsvyazbank
- 336 individuals involved in the Russian government decision to recognize the Donetsk and Luhansk regions (members of the Russian State Duma);
- 22 individuals accused of supporting, implementing or benefiting from actions that undermine the territorial integrity, sovereignty, independence and stability of Ukraine
- 99 individuals, including members of the Russian National Security Council accused of having supported Russia's recognition of the Donetsk and Luhansk 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 decisions of the "Treaty of Friendship, Cooperation and Mutual Assistance" between Russia and the Donetsk and Luhansk regions. These most recent designations include Russia's President Vladimir Putin and Russia's Minister of Foreign Affairs Sergey Lavrov.

With respect to the designation of Bank Rossiya, Promsvyazbank and VEB.RF, the EU adopted Regulation (EU) 2022/259 of 23 February 2022 introducing the ability for Member States to authorize the release of frozen funds or economic resources belonging to those three (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.

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R0328&from=EN>

Financial and Capital Markets Restrictions

Regulation (EU) 2022/262 of 23 February 2022 amended existing sanctions in Regulation 833/2014 (imposing so-called sectoral sanctions) as follows.

- New prohibition on purchasing, selling or otherwise dealing with transferable securities and money-market instruments issued after 9 March 2022 by (i) Russia and its government, (ii) the Russian Central Bank or (iii) entities / bodies acting on behalf / at the direction of the Russian Central Bank; and
- New prohibition on making / being part of arrangements to make any new loans or credit after 23 February 2022 to (i) Russia and its government, (ii) the Russian Central Bank or (iii) 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 addition, on 25 February 2022, Regulation (EU) 2022/328 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

- There is also a new prohibition on making or being part of any arrangement to make new loans 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.

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.

Further, the new sanctions introduce the following additional new 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.
- 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 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; and
- A prohibition on selling, *inter alia*, euro denominated 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 a Member State or natural persons having a temporary or permanent residence permit in a Member State.

Deposits

The new sanctions in Regulation (EU) 2022/328 include 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 deposit of these persons / entities exceeds EUR 100,000 (per credit institution). The prohibition does not apply to nationals of a Member State or natural persons having a temporary or permanent residence permit in a Member State. There is also an exception for deposits necessary for cross border trade.

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: (i) 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 a Member State on 2 July 2014; (ii) its principal is not repayable at par; (iii) its principal is only repayable at par under a particular guarantee or agreement provided by the credit institution or a third party.

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

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.

Energy Industry

Regulation (EU) 2022/328 of 25 February 2022 introduces a prohibition on the sale, supply, transfer or export certain listed goods and technology suited for use in oil refining 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 applies 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 authorizations to relevant sales, exports *etc.*

Aviation Industry

Regulation (EU) 2022/328 of 25 February 2022, introduces a prohibition on the sale, supply, transfer or export of aircraft, spacecraft or parts thereof 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 applies to the execution until 28 March 2022 of contracts concluded before 26 February 2022.

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 does not appear to apply in relation to those activities: the prohibition is therefore of immediate effect.

Technology sector

Regulation (EU) 2022/328 of 25 February 2022 includes 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.

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 authorizations, *inter alia*, in cases of non-military use and non-military end-users if the sale, export *etc.* is intended for civilian telecommunications networks, for the exclusive use of entities owned by – among other – EU entities or if goods *etc.* are due under contracts concluded before 26 February 2022.

Dual-use goods and technology

Regulation (EU) 2022/328 of 25 February 2022 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 authorizations, *inter alia*, in cases of non-military use and non-military end-users if the sale, export *etc.* is intended for civilian telecommunications networks, for the exclusive use of entities owned by – among other – EU entities or if goods *etc.* are due under contracts concluded before 26 February 2022.

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

Regulation (EU) 2022/328 of 25 February 2022 imposes 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.

Donetsk and Luhansk regions

Regulation (EU) 2022/263 of 23 February 2022, imposes wide-ranging sanctions on 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.*

Restrictions of visa policy

By Council Decision (EU) 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 business people will no longer be able to benefit from visa facilitation provisions which allow privileged access to the EU.

Other Sanctions

Several Member States of the EU have already called for additional, harsher sanctions, including cutting off Russia from SWIFT. Furthermore, it is reported that the EU would prepare sanctions against Belarus in view of its involvement in the military action against Ukraine.

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 that the pipeline becomes operative.

JAPAN 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 23 February 2022, Prime Minister Fumio Kishida announced that Japan will impose additional sanctions that will include:

- an asset freeze targeting parties linked to the DNR and LNR;
- a suspension of visa issuance for certain individuals linked to the DNR and LNR;
- a ban on imports and exports to and from the DNR and LNR; and
- a suspension on the issuance and distribution of new Russian government/governmental institutions' sovereign bonds in Japan.

On 25 February 2022, Prime Minister Kishida announced that Japan will impose a second round of additional sanctions that will include:

- an asset freeze targeting three Russian banks (VEB.RF, Promsvyazbank, and Bank Rossiya) and other individuals and entities related to Russia;
- a suspension of visa issuance for certain Russian individuals; and
- export controls on semiconductors and other sensitive goods to military-linked organizations in Russia.

The enforcement of both rounds of additional sanctions is pending and hence it is currently unknown which other entities and individuals will be subject to asset freezes and visa suspensions.

AUSTRALIAN SANCTIONS

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

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

Designated and declared persons⁶

- 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) have been added to the Sanctions List:

Designated Entities⁷

- 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.

⁶ *Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) Amendment (No. 1) Instrument 2022.*

⁷ *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.

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*.

An exposure draft of the legislative instrument specifies the following four entities:⁸

- 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.⁹

On 25 February 2022, the Prime Minister announced that Australia would be imposing further sanctions on (i) various individuals whose economic weight is considered to be of strategic significance in Russia and (ii) 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 Belarussian individuals and entities.

From 26 February 2022, the individuals referred to by the Prime Minister were added to the Sanctions List.¹⁰ This included:

- Denis Aleksandrovich Bortnikov
- Vladimir Sergeevich Kiriyenko
- Petr Mikhailovich Fradkov

⁸ <https://www.dfat.gov.au/news/russia-new-specifications-under-autonomous-sanctions-regulations>.

⁹ *Autonomous Sanctions Amendment (Russia) Regulations 2022*

¹⁰ *Autonomous Sanctions (Designated Persons and Entities and Declared Persons – Ukraine) Amendment (No. 4) Instrument 2022*

- Igor Arkadyevich Rotenberg
- Elena Aleksandrovna Georgieva
- Yury Borisovich Slyusar
- Kirill Nikolayevich Shamalov
- Igor Ivanovich Sechin

On 26 February 2022, the Minister of Foreign Affairs announced that she was seeking advice from the Department of Foreign Affairs and Trade to impose sanctions against President Putin and Foreign Minister Sergei Lavrov.

From 28 March 2022, amendments to the Autonomous Sanctions Regulations will extend existing sanctions that apply to Crimea and Sevastopol to DPR and LPR.¹¹ The Department of Foreign Affairs and Trade has noted that this period will allow those with interests in the regions to consider whether their activities are 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.

* * *

These new sanctions are complex, multilateral and incrementally changing in real time in response to the developments on the ground in Ukraine. We will endeavor 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, to understand the application and duration of the licenses, and to be mindful that while apparently coordinated, there is not complete overlap or prohibitions across the US/UK/EU programs, applicability and jurisdiction.

¹¹ *Autonomous Sanctions Amendment (Ukraine Regions) Regulations 2022*

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