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# **IPBA Webinar**

## **Navigating a New Sanctions Era: Update on EU and UK economic sanctions**

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## EUROPEAN UNION MEASURES

- EU adopts restrictive measures upon unanimous approval of its 27 members in EU Council after a rigorous analysis and drafting process.
- *“An essential tool through which the EU can intervene where necessary to prevent conflict or respond to emerging or current crises.”* EU references *“Russia’s military aggression against Ukraine.”*
- Historically EU members have been more conservative in their approach to use of sanctions as compared with US. Currently restrictive measures are in place in relation to North Korea, Iran, Russia and Belarus.
- Unprecedented for EU to work together with other jurisdictions and to implement such a comprehensive array of measures. An example of recent cooperation is US, EU, UK, Canada and Japan agreement to block some Russian banks from access to SWIFT in February 2022.
- EU has reserved right not to recognize Russia’s MFN status under WTO rules (to be implemented through import/export bans, not tariffs).

## EU RESTRICTIVE MEASURES: RESPONSE TO RUSSIA

- EU has adopted restrictive measures regarding annexation of Crimea and Sevastopol by Russian Federation since 2014.
- Huge ramping up of sanctions since February 23, 2022 comprising five packages of measures, most recent was published on April 8, 2022.
- On May 30, 2022 EU Council agreed sixth package, with focus on oil imports.
- 1,093 individuals and 80 entities added to EU sanctions list to date. Russian Elites, Proxies, and Oligarchs (REPO) Task Force.
- Current targeted measures include restricting and prohibiting access to capital and other financial markets and limiting access to finance and financial services in connection with specified transactions.
- Transactions with Russian Central Bank are banned, aimed at Russia's foreign reserves held in EU.
- Prohibition on export euro and member country banknotes to Russian entities and individuals and sale of transferable securities, including crypto assets.

## EU RESTRICTIVE MEASURES: RESPONSE TO RUSSIA

- Exclusion of certain Russian banks from SWIFT system, also some Belarus banks.
- Prohibition on EU ratings agencies providing services to Russian companies.
- Prohibition on providing trust/trustee services to wealthy Russians.
- Sectors targeted for prohibitions on exports from EU to Russia include oil refining, aviation, space, arms, dual-use goods, technologies that could enhance Russia's defense and security systems, maritime navigation equipment, radio communication technology, quantum computing technology, advanced semi conductors, sensitive machinery, chemicals and luxury goods.
- Bans on imports of coal, cement, rubber products, timber, iron and steel products (subject to EU safeguard procedures), transportation (excluding nuclear and energy transportation), liquor and spirits, some seafood products (caviar) and now oil.
- Bans on investments in Russian energy sector and on contributions to and in investments in projects co-financed by the Russian Direct Investment Fund

## EU RESTRICTIVE MEASURES: RESPONSE TO RUSSIA

- Bans on Russian (and Belarusian) freight hauliers working in EU, with exemptions for mail, humanitarian aid, food, agricultural products and energy; entry of Russian-flagged vessels to EU port, with some exemptions.
- EU has banned Russian owned or registered aircraft from using its airspace.
- Prohibition on Russian entities and individuals participating in EU public procurement contracts.
- Major Russian state-owned media can no longer broadcast in EU.
- In addition to comprehensive sanctions on Russia, EU has adopted similar restrictive measures with regard to Belarus. Work on accession of Belarus to WTO has been suspended by EU.

## UK ECONOMIC SANCTIONS

- UK continued to align with EU restrictive measures through period of its withdrawal from EU and generally remains aligned with EU sanctions regime, including stance on Belarus.
- *Sanctions and Anti-Money Laundering Act 2018*: UK Sanctions List
- In response to Ukraine, UK has implemented comprehensive sanctions independently of EU.
- *The Russia (Sanctions) (EU Exit) Regulations 2019*
- *The Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022* (in force as of February 10, 2022)
- *“This sanction regime is aimed at encouraging Russia to cease actions destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine.”*
- HM Treasury Office for Financial Sanctions Implementation (OFSI)
- Department for International Trade, Export Control Joint Unit (ECJU) administers export of controlled goods.

## UK ECONOMIC SANCTIONS: RESPONSE TO RUSSIA

- Since February 24, 2022, UK has designated individuals and entities in multiple rounds of sanctions, most measures are focused on finance and trade.
- Industry sectors that are “*of strategic significance to the Government of Russia*” include construction, chemicals, defence, electronics, energy, extractives, financial services, information, communications and digital technologies, and transport.
- Particular targets have included companies operating in Russian banking and defense system, initially including VTB Bank; JSC Research & Production Co, United Aircraft Corp, United Shipbuilding Corp, Rostec, and Tactical Missiles Corp.
- Individuals listed by OFSI are subject to asset freezes and UK travel bans. In March 2022 OFSI designated 386 Duma members.
- In March 2022, ECJU suspended current licenses for dual-use items to Russia, including licenses with Russia as final destination, and suspended approval of new licenses.

## UK ECONOMIC SANCTIONS: RESPONSE TO RUSSIA

- Prohibitions on Russian owned entities or individuals dealing with transferable securities and money-market instruments in UK have impacted among others Sberbank, VTB Bank, Gazprombank, VEB, Rosselhozbank, OPK Obornprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom.
- Subsequently additional institutions added and designees expanded to include persons connected with Russia domiciled elsewhere, who own or act on behalf of sanctioned institutions.
- Prohibitions on provisions of financial services to Russian Central Bank, National Wealth Fund, Ministry of Finance, affiliates and agents.
- March 2022: prohibitions on provision of insurance and reinsurance services relating to aviation and space goods and technology; extension of prohibition of ships to include ships registered in Russia.
- March 2022 decision to phase out Russian oil imports by end of 2022.
- In April 2022 trade restrictions were placed on exports of oil refining goods, software and technology, quantum computing and advanced materials goods, software and technology, luxury goods and import of iron and steel.
- In May 2022, restrictions regarding access to UK services industry including management consulting, accounting and public relations services.





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