

EUROPE

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# SANCTIONS TARGETING RUSSIA IN REACTION TO ITS AGRESSION AGAINST UKRAINE (UPDATE)

## 1. SUMMARY BACKGROUND

Russia's military attack upon Ukraine continues at an alarming speed, as official sources report that Russian forces are closing in on Ukraine's capital, Kyiv. In response, the global community, notably the EU, the UK, and the US, is bringing forth further sanctions against Russia and calling other international partners to align their position with them.

In our [previous alert](#), we summarized developments as at 24 February. Since then, the G7 countries and the EU Council held meetings to impose a second batch of sanctions in a swift and concerted manner. New sanctions to be imposed by the major global economies are intended to increase the pressure on Russia's financial system and isolate Russia from global trade and high-tech industries.<sup>1</sup> However, world leaders are cautious to provoke any unwanted spill over effects on global energy markets.<sup>2</sup>

Below, we outline the main sanctions adopted thus far by the EU, the UK and the US in reaction to these developments.

## 2. EU MEASURES

The EU officially published the first tranche of measures against Russia on 23 February 2022 through four Council Decisions and 5 Council Regulations. Measures include (i) sanctions and (ii) financial restrictions against Russia, and (iii) restrictions on economic relations with Donetsk and Luhansk regions.

### 2.1 "FIRST TRANCHE" OF SANCTIONS

**Restrictive measures, namely asset freeze, prohibition from making funds available to the listed individuals and entities, and a travel ban from entering or transiting through the EU, are imposed against:**

- 22 persons and 4 entities, who have played a role in undermining or threatening the territorial integrity, sovereignty and independence of Ukraine<sup>3</sup>, and
- 336 members of the Russian State Duma, who voted on 15 February in favour of the appeal to President Putin to recognise the independence of the self-proclaimed Donetsk and Luhansk "republics"<sup>4</sup>.

<sup>1</sup> [Statement by Press Secretary Jen Psaki on President Biden's Meeting with G7 Leaders | The White House](#)

<sup>2</sup> [G7 Leaders' Statement on the invasion of Ukraine by armed forces of the Russian Federation - Consilium \(europa.eu\)](#)

<sup>3</sup> Council Implementing Regulation (EU) 2022/260

The EU also set out certain exceptions<sup>5</sup> for the three listed banks (Bank Rossiya, Promsvyazbank and VEB) in order to achieve complete termination of operations, contracts or other agreements concluded with these banks by 24 August 2022 (wind-down period).

**Financial measures against Russia**<sup>6</sup> aim at restraining the ability of Russian government and central bank to access the EU's capital and financial markets and services. Accordingly,

- the direct or indirect purchase or sale of, the direct or indirect provision of investment services for or assistance in the issuance of, or any other dealing with transferable securities and money-market instruments issued after 9 March 2022 by Russia, its government, and the Russian Central Bank is prohibited; and
- it is prohibited to directly or indirectly make, or be part of any arrangement to make, any new loans or credit to Russia, its government, and the Russian Central Bank after 23 February 2022.

However, there is an exception for contracts concluded before 23 February, subject to certain conditions.

Finally, the EU imposed **restrictions on economic activities** with the regions of Donetsk and Luhansk<sup>7</sup> including:

- An **import ban** on goods originating from these regions, including prohibition of related financing, insurance and reinsurance activities, except for goods for which Ukrainian authorities issued a certificate of origin in accordance with the EU-Ukraine Association Agreement (exemption for execution of contracts concluded before 23 February until 24 May)<sup>8</sup>
- Prohibition on investing in **real estate** or entities in these regions<sup>9</sup>
- Prohibition to supply **tourism** services<sup>10</sup>
- An **export ban** for **listed goods and technologies** suited for use in transport, telecommunication, energy, oil, gas, and mineral resources industries; and prohibition to provide any related technological assistance, brokering services, and financing.<sup>11</sup>

## 2.2 "SECOND TRANCHE" OF SANCTIONS

Escalation of Russian military activity in Ukraine led the EU to quickly deploy a second tranche of measures against Russia. After a Council meeting on **24 February**, the Council agreed to impose **additional sanctions** covering the financial sector, the energy and transport sectors,

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<sup>4</sup> Council Implementing Regulation (EU) 2022/261 and Council Decision (CFSP) 2022/267

<sup>5</sup> Council Regulation (EU) 2022/259 and Council Decision (CFSP) 2022/265

<sup>6</sup> Council Regulation (EU) 2022/262 and Council Decision (CFSP) 2022/264

<sup>7</sup> Council Regulation (EU) 2022/263 and Council Decision (CFSP) 2022/266

<sup>8</sup> Council Regulation (EU) 2022/263, Article 2.

<sup>9</sup> Council Regulation (EU) 2022/263, Article 3.

<sup>10</sup> Council Regulation (EU) 2022/263, Article 6.

<sup>11</sup> Council Regulation (EU) 2022/263, Article 4 and 5.

dual-use goods as well as export control and export financing, visa policy, additional listings of Russian individuals and new listing criteria.

Additionally, the Council called for preparation of sanctions against **Belarus** for its involvement in Russian military activities.<sup>12</sup> The Council had already, on 22 February, decided the sanctioning of sanctions 27 natural and seven legal persons until 28 February 2023.<sup>13</sup>

On 25 February, President von der Leyen announced the key outline of the "second tranche" of sanctions.<sup>14</sup> Late in the night, the relevant texts were published in the Official Journal of the EU.

**The main features of the "second tranche" sanctions focus on four sectors (finance, energy, transport and technology). Key elements are as follows:**

- Further **financial sanctions** targeting **70% of the Russian government, market and key state-owned companies**, which would prevent Russia from accessing EU capital markets.
  - Restrictions on public financing or financial assistance for trade with or investment in Russia, as follows (subject to limited exceptions).
    - Prohibition to, directly or indirectly, purchase, sell, provide investment services or assistance in the issuance or otherwise deal with transferable securities and money-market instruments (note varying maturity dates and dates for assessing public ownership for each sub-prohibition)<sup>15</sup>, by
      - State-owned (credit) institutions established in Russia with an explicit mandate to **promote competitiveness and diversification of the Russian economy and encouragement of investment**; or a legal person, entity or body established outside the Union, directly or indirectly owned (50+% by such entity, or acting on behalf or at the direction of an entity defined under either of such criteria.  
→ **Sberbank, VTB Bank, Gazprombank, VEB, Rosselkhozbank**
      - State-owned (credit) institutions or any other credit institution established in Russia having a significant **role in supporting the activities of Russia, its government or the Central Bank**; or a legal person, entity or body established outside the Union directly or indirectly owned (50+% by such entity, or acting on behalf or at the direction of an entity defined under either of such criteria.  
→ **Alfa Bank; Bank Otkritie; Bank Rossiya; and Promsvyazbank**
      - Legal person, entity or body established in Russia predominantly engaged, and with major activities, in the conception, production, sales or export of military equipment or services, except legal

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<sup>12</sup> [European Council conclusions, 24 February 2022 - Consilium \(europa.eu\)](#)

<sup>13</sup> Council Decision (CFSP) 2022/307 of 24 February 2022 amending Decision 2012/642/CFSP concerning restrictive measures in view of the situation in Belarus.; Council Implementing Regulation (EU) 2022/300 of 24 February 2022 implementing Article 8a of Regulation (EC) No 765/2006 concerning restrictive measures in view of the situation in Belarus

<sup>14</sup> [Opening remarks by the President, Special EUCO meeting \(europa.eu\)](#)

<sup>15</sup> Council Decision (CFSP) 2022/327 of 25 February 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, Article 1.; Council Regulation (EU) 2022/328 of 25 February 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, Article 1(8).

persons, entities or bodies active in the space or the nuclear energy sectors; or a State-owned or controlled entity established in Russia with estimated total assets of over RUB 1 trillion and estimated revenues originating for 50+% from sale/transport of crude oil or petroleum products; or a legal person, entity or body established outside the Union directly or indirectly owned (50+%) by such entity, or acting on behalf or at the direction of an entity defined under either of such criteria.

→ **OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom Neft**

- State-owned entity established in Russia and in which Russia, its Government or Central Bank has the right to participate in profits or in which either have other substantial economic relationships; or a legal person, entity or body established outside the Union directly or indirectly owned (50+%) by such entity, or acting on behalf or at the direction of an entity defined under either of such criteria.  
→ **Almaz-Antey; Kamaz; Novorossiysk Commercial Sea Port; Rostec (Russian Technologies State Corporation); Russian Railways; JSC PO Sevmash; Sovcomflot; and United Shipbuilding Corporation**
- Prohibition on the listing and provision of services on trading venues registered or recognised by the EU for transferable securities of any Russian-established entities with public ownership of 50+%.
- **Prohibition** on making or being part of any arrangement to make (i) new **loans** or **credit** with a maturity exceeding 30 days to any legal person, entity or body referred to in bullets 1 or 3, after 12 September 2014 to 26 February 2022; or (ii) any **new loans** or **credit** to any legal person, entity or body referred to in bullets 1, 2, 3 or 4 after 26 February 2022.
  - Exceptions are provided in the interest of EU and third countries, as well as for drawdowns and disbursements made under a contract concluded prior to 26 February, at some conditions.
- Restrictions on **financial fluxes and investments** between Russia and the EU:
  - **Prohibition to accept** any **deposits** from to persons or entities established in Russia, if the total value of deposits of the natural or legal person, entity or body per credit institution exceeds **100 000 EUR**;
  - **Prohibition** for Union central securities depositories to provide certain services for **transferable securities** to persons or entities established in Russia;

- **Prohibition to sell euro denominated transferable securities** or units in collective investment undertakings with exposure to such securities, to persons or entities established in Russia.
- **EU country nationals are excluded. Other exceptions apply. Reporting requirements** on accounts held by Russians (incl. with "golden visa") **included**.

➤ **Trade restrictions/prohibitions and export controls to cut Russia's access to crucial technology and other strategic sectors:**

- **Extensive export control restrictions:** prohibition to sell, supply, transfer or export, directly or indirectly, **dual-use goods and technology**, to any natural or legal person, entity or body in Russia or for use in Russia, or to provide technical assistance or financing in relation to such operations
  - License to be refused if operation destined for (a listed - Annex IV) military end-use(r) and/or space and aviation industry
- **Technology sector:** prohibition to sell, supply, transfer or export, directly or indirectly, **goods and technology which might contribute to Russia's military and technological enhancement**, or the **development of the defence and security sector**, as listed, to any natural or legal person, entity or body in Russia or for use in Russia, or to provide technical assistance or financing in relation to such operations
  - **Annex VII** lists broadly goods and items relating to restricting access to drones and drone-related software, software encryption, semiconductors, and advanced electronics.
  - License to be refused if operation destined for (a listed - Annex IV) military end-use(r) and/or space and aviation industry
- Extension of the **list of military-industry entities (Annex IV) to 64** of Russia's military-industrial complex, for which there are increased requirements and a policy of **denial of licenses** for the goods and items listed under the Regulation.
- Prohibition to provide public financing or financial assistance for **trade** with, or **investment** in, Russia, save for already binding financing or financial assistance commitments, or inferior to 10M€/project for SMEs, or for trade in food, and for agricultural, medical or humanitarian purposes.
- **Energy sector:** building on the 2014 restrictions in place, prohibition to sell, supply, transfer or export, directly or indirectly, goods and technology suited for use in **oil refining**, as listed, to any natural or legal person, entity or body in Russia or for use in Russia, or to provide technical assistance or financing in relation to such operations. This should prevent Russia from upgrading its oil refineries.
- **Transport sector:** prohibited to sell, supply, transfer or export, directly or indirectly, goods and technology suited for use in aviation or the space industry, as listed (incl. aircraft, parts and equipment), including prohibition to provide technical assistance or

financing in relation to such operations, as well as a prohibition on the provision of (re)insurance maintenance services related to those goods and technology.

- **Note:**
  - Exceptions are provided for humanitarian, medical and others reasons;
  - Authorizations/exceptions are included for winding-down operations, as well as general licenses and facilitation of exports to Russian entities owned/controlled by EU or US parents, and;
  - Limited exemptions to such restrictions are envisioned for legitimate and pre-determined purposes only.

➤ **Prohibition to satisfy claims** related to the implementation of the sanctions with regards to the persons and entities identified as targets.

➤ Revised visa rules, ending privileged access of diplomats and related groups and business people to the EU policies, through the **partial suspension** of the application of the **EU-Russia Agreement on the facilitation of the issuance of visas**.<sup>16</sup>

- Citizens should not be affected. This should also allow for easier adoption further travel restrictions

➤ **Extension** of listing criteria beyond Crimea<sup>17</sup>, and several **additions to the sanctions lists**.<sup>18</sup> This triggers asset freezes, prohibition on making funds available and travel bans in particular.

- Total of 654 persons and 52 entities now targeted
- President Vladimir Putin and Foreign Minister Sergei Lavrov have been added to the list (though travel bans do not apply to them)

In the meantime, the **Council of Europe** suspended Russia's representation in the Committee of Ministers and Parliamentary Assembly.<sup>19</sup>

## 2.3 "THIRD TRANCHE" OF SANCTIONS

On 26 February night, all EU countries are reportedly in favour of measures concerning SWIFT, with Germany advocating for "targeted" exclusion of Russia from SWIFT system.<sup>20</sup>

Later in the night, the European Commission published a joint statement (European Commission, France, Germany, Italy, the United Kingdom, Canada, and the United States)<sup>21</sup> indicating a further batch of sanctions was to be adopted. Details, let alone relevant legal texts, have not yet been released at the time of writing.

<sup>16</sup> [Council Decision \(EU\) 2022/333 of 25 February 2022 on the partial suspension of the application of the Agreement between the European Community and the Russian Federation on the facilitation of the issuance of visas to the citizens of the European Union and the Russian Federation.](#)

<sup>17</sup> [Council Decision \(CFSP\) 2022/329 of 25 February 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.](#); [Council Regulation \(EU\) 2022/330 of 25 February 2022 amending Regulation \(EU\) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.](#)

<sup>18</sup> [Council Decision \(CFSP\) 2022/331 of 25 February 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.](#); [Council Implementing Regulation \(EU\) 2022/332 of 25 February 2022 implementing Regulation \(EU\) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.](#)

<sup>19</sup> [Council of Europe suspends Russia's rights of representation - Newsroom \(coe.int\).](#)

<sup>20</sup> [Guerre en Ukraine : l'Allemagne accepte finalement une « limitation ciblée » de l'accès à Swift pour la Russie \(lefigaro.fr\).](#)

<sup>21</sup> [Joint Statement on further restrictive economic measures \(europa.eu\).](#)

The "**third tranche**" of sanctions is announced to include:

- Exclusion of certain Russian financial institutions from **SWIFT**;
- Actions to avoid action by the Russian **Central Bank** to deploy [around \$600bn deep] reserves to undermine adopted sanctions. This would include a freezing of the Central Bank's transactions to prevent it from liquidating its assets;
- Restrictions on "**golden visa**" practices, likely further designations on sanctions lists;
- Setting up of a "**transatlantic task force** that will ensure the effective implementation of our financial sanctions by identifying and freezing the assets of sanctioned individuals and companies that exist within our jurisdictions";
- Actions will also be initiated to counter disinformation and "other forms of hybrid warfare".

The weighing of pros and cons likely included risks of accelerating de-dollarization, and assessing the efficiency of cutting Russia off from SWIFT considering it could use China's Cross-Border International Payment System instead.<sup>22</sup>

**Further developments are expected shortly.**

### 3. UK MEASURES

The UK, working with its allies and partners, has imposed a series of sanctions aimed at encouraging Russia to cease actions threatening the territorial integrity, sovereignty and independence of Ukraine. This is the first time post-Brexit that a major set of trade sanctions are emanating from Brussels and London separately.<sup>23</sup>

Although there was strong coordination between the EU, the EEA and the USA on their sanctions on Russia/Ukraine from 2014, it is possible that UK sanctions might go further this time and be different given the particular importance of London's financial markets in Russian overseas investment.

The currently existing measures can be traced back to the sanctions put in place when the UK was a member of the EU<sup>24</sup>. The current sanctions regime<sup>25</sup> is largely based upon the regulations issued by the EU in 2014 and 2015. On 10 February, amendments to the governing regulations were made which broadened the scope of the designation criteria, enabling the UK to more readily designate a greater number of individuals and businesses associated with the Kremlin.<sup>26</sup> These therefore moved the UK position further from the EU regulations currently in force.

#### 3.1 FIRST TRANCHE

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<sup>22</sup> [China's SWIFT alternative may undercut US sanctions - Asia Times](#).

<sup>23</sup> Gide Loyrette Nouel's recent Europe briefing on sanctions sets out the various EU measures, [https://www.gide.com/sites/default/files/gideclientalert\\_24022022.pdf](https://www.gide.com/sites/default/files/gideclientalert_24022022.pdf)

<sup>24</sup> This includes principally Regulations (EU) No 269/2014, No 692/2014 and No 833/2014.

<sup>25</sup> Russia (Sanctions) (EU Exit) Regulations 2019 (SI, 2019, No. 855).

<sup>26</sup> Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022 (SI, 2022, No. 123).

The Prime Minister announced to the House of Commons on 22 February 2022 the initial tranche of sanctions on Russia, targeting oligarchs and banks associated with the Kremlin. This was clearly intended to be a **first package of a rolling programme of sanctions** of increasing effect as the situation in the Ukraine develops.

Using the new powers introduced on 10 February, the **UK announced that it would:**

- 1) **freeze** the assets and impose **travel bans** on three leading members of the Russian elite of particular significance to the Kremlin (Gennady Timchenko, Russia's sixth richest oligarch; and Boris and Igor Rotenberg, two long-standing associates of the regime); and
- 2) **freeze** the assets of five Russian banks (Bank Rossiya, Black Sea Bank for Development and Reconstruction, IS Bank, Genbank, and Promsvyazbank).

The UK stated that it would also sanction those members of the Russian Duma and Federation Council who voted to recognise the independence of Donetsk and Luhansk.

In addition, the **territorial sanctions (including the export control sanctions)** that were imposed on Crimea in 2014/15 are to be extended to non-Government controlled territory in the so-called breakaway republics of Donetsk and Luhansk. No UK individual or business will be able to deal with this territory until it is returned to Ukrainian control.

On 22 February 2022, the House of Commons retrospectively approved the **new powers** introduced on 10th February, giving some indication as to the swift action that is now possible under the 2018 Act.

### 3.2 SECOND TRANCHE

On 24 February 2022, Prime Minister of the UK announced the **second tranche** of measures to be adopted against Russia.

In addition to the previous sanctions imposed on banks, high-net worth individuals, and sanctions implemented on 571 members of the Duma and Federation council, as well as territorial sanctions and restrictions on sovereign debt announced on 22 February, **new sanctions will include following items**<sup>27</sup>:

- Additional sanctions covering Russian elites, companies and financial institutions
- Russian bank assets in UK to be frozen totally shutting off its banking system from UK finance markets
- Banning Russian state-owned and key strategic private companies from raising finance on the UK financial markets

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<sup>27</sup> [Foreign Secretary imposes UK's most punishing sanctions to inflict maximum and lasting pain on Russia - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/foreign-secretary-imposes-uk-s-most-punishing-sanctions-to-inflict-maximum-and-lasting-pain-on-russia).

- Punitive new restrictions on trade and export controls against Russia's hi-tech and strategic industries, such as electronics, telecommunications, and aerospace, similar to those implemented in the US
- Russia's national airline Aeroflot banned from UK airspace
- New restrictions to cut off wealthy Russians' access to UK banks, including a £50,000-limit on bank accounts
- Limitations on Russians to have savings in UK bank accounts
- the UK is working with allies to exclude Russia from the SWIFT financial system
- Sanctions against Belarus

However, **most of these news sanctions will require the adoption of secondary legislation.**

The most concrete step taken so far by the UK is the designation of several high profile individuals, defense companies and banks, including VTB, Russia's second-largest bank, Rostec, Russia's biggest defence company, and Tactical Missile Corporation, Russia's leading supplier of air and sea missiles.<sup>28</sup>

Moreover, late 25 February, the UK added President Putin and Foreign Minister Lavrov to the list of designated persons.<sup>29</sup>

Further, on 25 February, the Export Control Joint Unit was also reportedly contacting license holders to inform them of the immediate **suspension of export licenses of all dual-use items to Russia**, pending review of the licenses and **revoking** them in the event they contradict newly adopted sanctions on Russia.

### 3.3 FUTURE MEASURES

Plans to set up a new dedicated '**Kleptocracy Cell**' in the **National Crime Agency** were announced to target sanctions evasion and Russian assets in the UK. Measures on **unexplained wealth orders** from the Economic Crime Bill are to be brought forward and to be introduced before Easter and further detail will be provided on reforms to Companies legislation and a register of overseas property ownership.

This is partly in response to the criticism of the government for not acting more widely against those with assets in the UK or controlled overseas through UK tax domicile status.

The Foreign Secretary, Liz Truss, has announced that the UK plans to publish a **"hit list" of Russian high net worths** with overseas assets **to be targeted**.

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<sup>28</sup> [Notice\\_Russia\\_240222.pdf \(publishing.service.gov.uk\)](#).

<sup>29</sup> [Notice\\_Russia\\_250222.pdf \(publishing.service.gov.uk\)](#).

This is a legally complex area and it is reported that some individuals at risk of being singled out have already contacted the Foreign Office threatening legal action against any sanctions decision.

**Further developments are expected shortly.**

#### 4. US MEASURES

President Biden pointed to a G7 meeting to come up with a coordinated strategy to impose measures against Russia. The meeting occurred in the afternoon of 24 February, and President Biden subsequently announced a package of new measures including (i) various sanctions on Russian entities and individuals, (ii) export restrictions to Russia, and (iii) sanctions against Belarusian individuals and entities.<sup>30</sup>

**New sanctions against Russia**<sup>31</sup> include:

- **Severing the connection** to the U.S. financial system for Russia's largest financial institution, **Sberbank**;
- **Full blocking** sanctions on Russia's second largest financial institution, **VTB Bank**, other major Russian **financial institutions**, and Russian **elites** and their families
- New **debt and equity restrictions** on thirteen Russian enterprises and entities

In addition to sanctions, the US is implementing **trade restrictions against Russia** in order to inflict damage on its key industries.

This is one of the areas that requires international cooperation to achieve its full potential; thus, the EU, Australia, Japan, Canada, New Zealand and the UK also communicated their plans to take parallel action. For this reason, EU countries have been exempted from complying with the new Russia-FDP rules.<sup>32</sup>

Export restrictions to Russia<sup>33</sup> mainly consist of:

- **Restrictions on exports of nearly all U.S. items and items produced in foreign countries** using certain U.S.-origin software, technology, or equipment **to targeted military end users**, including the Russian Ministry of Defense, wherever located;
- **Restrictions on exports of sensitive U.S. technologies produced in foreign countries using U.S.-origin** software, technology, or equipment to Russia, including semiconductors, telecommunication, encryption security, lasers, sensors, navigation, avionics and maritime technologies.

Finally, the US also imposed **sanctions against 24 Belarusian individuals and entities**, including state-owned banks, defense firms and officials.<sup>34</sup>

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<sup>30</sup> [FACT SHEET: Joined by Allies and Partners, the United States Imposes Devastating Costs on Russia | The White House](#)

<sup>31</sup> [U.S. Treasury Announces Unprecedented & Expansive Sanctions Against Russia, Imposing Swift and Severe Economic Costs | U.S. Department of the Treasury](#)

<sup>32</sup> [2022-04300.pdf \(federalregister.gov\)](#)

<sup>33</sup> [U.S. Department of Commerce & Bureau of Industry and Security Russia Rule Fact Sheet | U.S. Department of Commerce](#)

Following President Biden's announcement regarding **Nord Stream 2 project**,<sup>35</sup> OFAC included Nord Stream 2 AG and its German CEO to the specially designated nationals list.<sup>36</sup>

On 25 February, in concert with the UK and EU, OFAC added President Vladimir Putin, Foreign Minister Sergei Lavrov, Defense Minister Sergei Shoigu and Chief of the General Staff of the Russian Armed Forces Valery Gerasimov to the list of designated persons.<sup>37</sup>

For measures relating to the "third tranche", particularly selected exclusion from SWIFT and the setting up of a transatlantic task force to ensure the efficient implementation of sanctions, we refer to the section on the EU and outline of the Joint Statement, which has also been published by the White House on 26 February.<sup>38</sup>

## 5. OTHER DEVELOPMENTS

**Other countries have announced their alignment** with the EU, the UK and the US and adopted sanctions, in cooperation with their partners:

- In addition to its initial measures against Russia,<sup>39</sup> **Canada** also adopted its "second tranche" of measures, including additional restrictions on individuals and entities,<sup>40</sup> restrictions on exports to Russia (halting new export permit applications) and cancellation of valid export permits.<sup>41</sup>
- Prime Minister of **Japan** also announced that they will impose additional sanctions, including export controls on high-tech products such as semiconductors, a freeze on assets held by Russian financial institutions and a suspension of visa issuance for certain Russian individuals and entities.<sup>42</sup>
- **Australia** also adopted a "second tranche" of measures amending criteria of its Russian sanction program,<sup>43</sup> expanding Crimea and Sevastopol sanctions to the Donetsk and Luhansk regions,<sup>44</sup> expanding the list of sanctioned individuals and entities,<sup>45</sup> and potential sanctions against Belarus<sup>46</sup>.
- On 25 February, **Taiwan**<sup>47</sup> and **South Korea**<sup>48</sup> announced that they will join international economic sanctions against Russia, which would, in particular, increase the enforceability of export restrictions on high-tech goods.

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<sup>34</sup> [U.S. Treasury Targets Belarusian Support for Russian Invasion of Ukraine | U.S. Department of the Treasury](#)

<sup>35</sup> [Statement by President Biden on Nord Stream 2 | The White House](#)

<sup>36</sup> [PEESA Designations: Issuance of Russia-related General License 4 | U.S. Department of the Treasury](#)

<sup>37</sup> [U.S. Treasury Imposes Sanctions on Russian Federation President Vladimir Putin and Minister of Foreign Affairs Sergei Lavrov | U.S. Department of the Treasury](#)

<sup>38</sup> [Joint Statement on Further Restrictive Economic Measures | The White House](#)

<sup>39</sup> [Canada announces support to address the situation in Ukraine | Prime Minister of Canada \(pm.gc.ca\)](#)

<sup>40</sup> [Canada imposes additional economic measures on Russia in response to Russia's attack on Ukraine - Canada.ca](#)

<sup>41</sup> [Canada announces additional measures to support Ukraine | Prime Minister of Canada \(pm.gc.ca\)](#)

<sup>42</sup> [Japan announces more sanctions on Russia after Ukraine invasion | The Japan Times](#)

<sup>43</sup> [Sanctions - New listing criteria relating to Russia, and new sanctions measures for the Donetsk and Luhansk regions of Ukraine | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](#)

<sup>44</sup> [Sanctions - New listing criteria relating to Russia, and new sanctions measures for the Donetsk and Luhansk regions of Ukraine | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](#)

<sup>45</sup> [Press Conference - Adelaide, SA | Prime Minister of Australia \(pm.gov.au\)](#)

<sup>46</sup> [Press Conference - Adelaide, SA | Prime Minister of Australia \(pm.gov.au\)](#)

<sup>47</sup> [The Republic of China \(Taiwan\) government strongly condemns Russia's invasion of Ukraine in violation of the UN Charter, joins international economic sanctions against Russia \(mofa.gov.tw\)](#)

<sup>48</sup> [Press Releases: Korea.net : The official website of the Republic of Korea](#)

- Also on 25 February, **Switzerland** updated its list of designated persons and entities, aligning with the EU's travel ban. However, the Swiss rules only prevent from entering into new business with designated persons/entities (disclosure of existing ones; no asset freeze). The country is further considering adopting rules to prevent circumvention of EU sanctions, which would be particularly important as significant commodity trading with Russia occurs through Switzerland.<sup>49</sup>

## 6. WHAT'S NEXT FOR COMPANIES?

- While the "first tranche" of the sanctions adopted were broadly similar to **Crimea sanctions**, with a restricted geographical scope, the "second tranche" of sanctions has **far-reaching implications on global business activities of companies**.

According to the measures adopted by the US, the list of entities subject to sanctions involves numerous, high-profile businesses, and the US has targeted most significant industries of Russia with export control rules.

Although, the UK and the EU have not yet fully and officially published their "second tranche" of sanctions, a similarly wide scope of sanctions and export controls is expected.

- **Heightened vigilance** to sanctions adopted, updated, and others to come:
  - Throughout those jurisdictions having adopted sanctions, particularly the EU, US and UK, it should be expected that **lists of sanctioned persons and entities will be further updated and broadened**.
  - The scope of permissible transactions may thus rapidly vary in light of additional designations. **Rigorous due diligence** and compliance regimes within the companies are key.
  - It is expected that the US and UK sanctions will remain harsher than those that the EU imposes and that, therefore, commercial groups with operations in both EU, US and UK jurisdictions (such as some oil and commodities traders) will have an **evolving compliance position** to monitor and demonstrate compliance.
- **Exporters of dual-use and military items** should carefully review new export rules published by the US and incoming rules to be released by the EU and the UK.
  - It is important to highlight that **US rules have significant extraterritorial application** which renders them relevant for exports from non-US countries to Russia and, in certain cases, exports between two countries outside of Russia.
  - In particular, companies should **prepare for secondary sanctions** which may involve significant operational challenges in international groups, such as isolating group operational functions like IT, accounting, e-mail and other corporate services and the monitoring of the activities of overseas subsidiaries that currently carry out these activities independently.

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<sup>49</sup> [Switzerland faces pressure to toughen sanctions on Russia - SWI swissinfo.ch](#).

- As is the case in Canada and the UK, and possibly others to follow, measures may involve **cancellation of existing export licenses**. Exporters with previous export control experience should review the new rules to identify whether they have any implication on their licenses.
- It would be prudent to **establish internal compliance mechanisms and inquire potential clients regarding intended end-use of products**.
- Additionally, **due diligence on transactions involving exporters of controlled items** should include compliance with new export control rules. Target companies or potential business partners in violation with export control rules may pose potential liabilities and overreliance of target company's businesses model on controlled transactions may serve as a red flag regarding its viability.
- In this regard, it is strongly advised to **(i) put exports on hold, (ii) review** the new sanctions adopted, **(iii) (re)screen** (potential)customers and parties involved in (contemplated) transactions, **(iv) (re)consider classification** of goods and other items under export control rules and (re)apply for licenses where needed, **(v) stay up-to-date and regularly review**.

Be aware that **lists of controlled goods may evolve rapidly and can be (very) extensive**, as demonstrated particularly in the case of sanctions targeting Iran.

- Most **national administrations** are publishing (updates of) **guidance** on the sanctions and export controls adopted. Consultation of these is also highly recommended to accompany your (re)screening of partners and (re)classification of items for export control purposes. Please note these are updated regularly, in the same way the sanctions are.
  - In this regard, the **French Finance Ministry** has set up **dedicated** support to assist companies. Relevant **contacts** as follows:
    - Sanctions (Bercy) : [sanctions-russie@dgtresor.gouv.fr](mailto:sanctions-russie@dgtresor.gouv.fr)
    - Sanctions (MEDEF/MEDEFI) : [information-russie@medef.fr](mailto:information-russie@medef.fr)
    - Export controls on dual-use goods : [doublusagesanctions.russie@finances.gouv.fr](mailto:doublusagesanctions.russie@finances.gouv.fr)
    - Supplying issues : [tensions-approvisionnements.russie@finances.gouv.fr](mailto:tensions-approvisionnements.russie@finances.gouv.fr)
    - Cyber threats: [cert-fr.cossi@ssi.gouv.fr](mailto:cert-fr.cossi@ssi.gouv.fr)
- Pay attention to less reported **sub-national sanctions measures**: some **states/provinces and cities** are looking at their own by-laws or other legally binding measures. Some **port authorities** have the ability to determine access to their facilities.

Companies dealing with such jurisdictions should **(i) liaise** with relevant authorities to determine whether sanctions are adopted/considered, **(ii) have a protocol** for up to date information-sharing with their operations teams and (iii) consider where such measures are indiscriminate or represent a business **risk** that should be addressed by setting up alternative **arrangements**.

- Many sanction and export restriction programs include **wind-down periods** to finalize restricted activities subject to the conditions listed in relevant legislations.
- Businesses facing a sanction or export restriction program are advised to be observant about the **deadlines** and to establish appropriate winding-down **strategies**.

These **may be complex operations**. Companies should note that, for example:

- EU/UK companies will have to prepare to justify not to pay close-out payments in relation to **unwinding portfolios of investments** that have the effect of providing finance to sanctioned entities, such as derivatives transactions;
  - **JVs** involving affected assets (e.g. real estate, stocks and shares) may need to be **isolated** or **divested**, all of which will need time to achieve.
- Be aware of **reputational implications** for your business. Several private actors have taken independent action, beyond and aside from legal obligations.
- **"Brace for impact"**: On Friday 25 February, Russian Senate President, Valentina Matviyenko, is reported to have indicated Russia has "**'reciprocal sanctions'** ready to respond to the sanctions imposed by the United States and the European Union" and that "we [Russia] are well aware of the West's weak spots and we have drafted an entire package... a series of potential sanctions to be used against those nations that announced sanctions against Russia".<sup>50</sup>
- While counter-sanctions are, however, likely to be rather limited in terms of compliance (perhaps mirror-sanctions), the pain would rather likely be put in **energy and other commodity prices**. Nevertheless, through the application of mirror-sanctions, companies operating in the contested areas might be at pain to conform to Western and Russian sanctions simultaneously.
  - It is also noted that Russia has already barred UK airlines from flying over its **airspace**.<sup>51</sup> Similar bans should be expected with regards to airlines of other sanction-adopting countries.
  - Imports of EU, US and UK products can also be expected to be barred, or at least restricted, from entrance into the Russian Federation. It is recalled that, in 2014, Russian counter-sanctions included a restrictions on imports of European **foodstuffs** and **agricultural products**.
  - Former Russian President and deputy chairman of Russia's Security Council, Dmitry Medvedev, after a first warning on skyrocketing energy prices in Europe as a result of sanctions, has raised **the possibility of Russia moving to nationalize foreign property**.
- **Sanctions are here to stay**, likely at least for a few months. As indicated in our previous alert, since the 2014 annexing of Crimea, Russia has adopted a policy of reducing international dependencies and "sanction-proofing".
- It would thus take time for any sanctions to have sufficiently strong impacts on Russia to bend its behaviour.

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<sup>50</sup> [Russia's Counter-Sanctions Will Target Western Weaknesses | News | teleSUR English.](#)

<sup>51</sup> [Russia bans British airlines from its airspace - BBC News.](#)

- It is also noted that, while export restrictions on high-tech goods are aimed at crippling its development capacities, US exports of semiconductors reportedly account for only 0,1% of total such exports<sup>52</sup>, and the impact of such restrictions is difficult to predict and measure exactly.
- Some have also noted that the biggest pain to Russia's treasury would lie in adopting import restrictions, particularly on energy and commodities (incl. agricultural). However, these are also the measures that would hurt Western, especially European, companies most and their adoption is expected to be avoided insofar as possible.
- The EU has recognised that imposing sanctions on Russia comes with a **price tag**, particularly in the form of "reduced exports, reprisals and rising energy costs".<sup>53</sup>
- Though it is noted that movements in Russian **public opinion** against the aggression of Ukraine are perceptible at this stage already, it remains to be seen what extent these may have an impact on the country's policy.

***Gide's International Trade & Regulation Team in Brussels and London will provide further updates and guidance as matters continue to unfold.***

***Our Team will gladly assist you should you have questions or need legal assistance in ensuring compliance when dealing under the newly adopted sanctions.***

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<sup>52</sup> [SIA Statement on Sanctions on Russia - Semiconductor Industry Association \(semiconductors.org\)](https://www.semiconductors.org/).

<sup>53</sup> [West prepares to play 'long game' on Russian sanctions \(ampproject.org\)](https://www.ampproject.org/).