

March 3, 2022

Russia/Ukraine Crisis: The Latest International Sanctions Response

Note: This alert originally was published on February 28, 2022, and has been supplemented to reflect additional developments.

Over the past week, in close coordination with the United States and Canada, the United Kingdom and European Union have expanded the sanctions in response to Russia's invasion of Ukraine.¹

This Alert summarizes the waves of EU and UK sanctions decided from February 24 until March 2, albeit some key points still await guidance and further sanctions are expected. The Alert also covers the latest details related to the agreement among the European Union, United Kingdom, Canada and the United States to cut certain Russian banks from SWIFT, the Belgian cooperative that serves as the primary messaging network for banking transactions.

Ropes & Gray will release additional Alerts to provide updates on the evolving situation.

European Union

Sanctions Package

On February 24, the EU Council [announced](#) that it would implement further restrictive measures, which were agreed on February 25, see [here](#) and [here](#). First, the EU Council announced the implementation of further individual sanctions on individuals close to President Putin (including Putin himself) and those responsible for the decision to recognize the independence of the Donetsk People's Republic ("DNR") and Luhansk People's Republic ("LNR") regions of Ukraine. Second, the EU Council released further details of the proposed measures designed to deprive the Russian government and key state-owned companies of access to EU financial markets and goods and services for critical industries. Third, the European Union has announced a strategy to counter "disinformation," beginning with a [prohibition](#) on the RT and Sputnik networks airing in the European Union.

Specifically, the European Union imposed sanctions against the following persons: (i) ~70 additional members of the Russian State Duma who supported Russia's recognition of the self-proclaimed Donetsk and Luhansk "republics," (ii) five members of the Russian National Security Council, (iii) ~20 Belarussian military personnel and/or border officials,² and (iv) President Vladimir Putin and Minister of Foreign Affairs Sergey Lavrov. The EU Council has also [announced](#) that it will step up efforts to identify and freeze assets of sanctioned individuals within EU member states. Since then, on February 28, the European Union [implemented sanctions](#) on 26 additional individuals including well-known Russian oligarchs Mikhail Fridman, Alisher Usmanov, Alexey Mordashov, Gennady Timchenko and Alexander Ponomarenko. Gas company Sogaz was also sanctioned in the same round of additions.

The Council previously [announced details](#) of further sanctions which have been imposed in stages over the past few days, covering the following sectors:

- *Finance* – the European Union's new financial sanctions are aimed to target 70% of the Russian banking sector, and key state-owned companies, including within the defense sector.
 - The restrictions seek to:
 - expand the existing capital markets restrictions that limit the ability of certain Russian entities to secure new debt and equity financing in the European Union (*i.e.*, "sectoral sanctions");³

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- prohibit the listing and provision of services in relation to shares of Russian state-owned entities on EU trading platforms; and
- prohibit the acceptance of deposits exceeding €100,000 from Russian nationals or residents,⁴ the holding of accounts of Russian clients by the EU Central Securities Depositories (subject to certain exemptions).
- The previously announced prohibition on the sale of euro-denominated securities to Russian clients [was finalized](#) on March 2, prohibiting the sale or export of Euro-denominated banknotes to any person, entity or body in Russia, including the government and the Central Bank of Russia, or for use in Russia.
- On March 2, the EU Council also imposed restrictions on investing in, participating in or otherwise contributing to future projects co-financed by the Russian Direct Investment Fund.
- *Energy* - the European Union will prohibit the sale, supply, transfer or export to Russia of specific goods and technologies in oil refining, and will introduce restrictions on the provision of related services.
- *Transport* - the European Union introduced an export ban on the sale of all aircrafts, spare parts and equipment to Russian airlines, and a prohibition on the provision of insurance and reinsurance and maintenance services related to those goods and technology. This will also include a prohibition on the provision of related technical and financial assistance.
 - Late on February 27, the EU Commission announced a bloc-wide ban of all Russian aircraft from EU airspace, after many Member States (including France, Germany, Italy and Finland) had announced their own bans. Commission President Von der Leyen explained that the ban will apply to all Russian-owned, Russian-registered, or Russian-controlled aircraft, including private jets and aircraft that are registered outside of Russia but chartered or otherwise controlled by Russian legal or natural persons. The United Kingdom has taken similar steps, as discussed below. Prior to the bloc-wide ban, Russia had responded with tit-for-tat flight bans for the airlines of many countries, which has led to significant disruption and re-routing between Europe and Asia. Russia responded with a reciprocal airspace ban for all EU Member States.
- *Technology* - the European Union imposed further restrictions on exports of dual-use goods and technology, and restrictions on exports of certain goods and technology that might contribute to Russia's technological enhancement of its defense and security sector (e.g., semiconductors or cutting-edge technologies.)
- *Visa policy* - The European Union revoked the visa facilitation policy for Russian officials and diplomats, and "business people and representatives of business organizations."

The current Council Regulations and Decisions implementing the above announcements are set out below.

- [Council Decision 2022/327](#) and [Council Regulation 2022/328](#) (Finance, Sectoral and Dual Use Goods)
- [Council Decision 2022/329](#) (Travel and Asset Freezes)
- [Council Regulation 2022/330](#), [Council Decision 2022/331](#), [Council Implementing Regulation 2022/332](#), [Council Implementing Regulation \(EU\) 2022/353](#) (List-based Sanctions Against State Duma Representatives, National Security Council, and Belarussian Military Officials)
- [Council Decision 2022/333](#) (Visa Restrictions)

- [Council Regulation \(EU\) 2022/345](#) (imposing SWIFT restrictions)
- [Council Regulation \(EU\) 2022/350](#) (restrictions on RT and Sputnik networks)

Further Council Decisions and Regulations are awaited to formalize the full package of sanctions announced by EU officials over the weekend (as described above). The latest Council Decisions and Regulations are regularly updated and available [here](#).

Ban from SWIFT Network

There has been significant global debate in the past week on whether and on how to cut Russia off from the “SWIFT” network (the Society for Worldwide Interbank Financial Telecommunication), which is the principal secure messaging system by which financial institutions make cross-border payments. Cutting Russia off from SWIFT—a move that has been used before with respect to Iran in 2012 and North Korean banks in 2017—means that ordinary transactions need to be conducted directly between banks, or routed through less traditional or established rival systems, with attendant delays and fees.

On March 2, the EU Council announced that it would prohibit SWIFT services to Bank Otkritie, Novikombank, Promsvyazbank, Rossiya Bank, Sovcombank, VNESHECONOMBANK (VEB), and VTB and any entities directly or indirectly owned for more than 50% or more by these banks. The prohibition will enter into force March 12, 2022.

While the BRICS have been working on SWIFT alternatives (notably China, with its CIPS network, and Russia, with its relatively slow and unsophisticated SPFS system), the immediate impact of expulsion from SWIFT means that Russian businesses would find it almost impossible to access the financial markets, or pay and be paid without considerable delay and cost. The move would also significantly impact Russia’s export markets, including its energy exports.

Exceptions

The European Union generally implements more targeted sanctions restrictions to avoid impacts on humanitarian aid or the provision of health services, but has in other programs such as the Counterterrorism sanctions and Syria sanctions specifically allowed for the provision of funds to designated persons or other exceptions to activity-based restrictions where necessary to the provision of humanitarian aid.

Similarly here, the thus-far finalized EU sanctions related to Russia provide for exceptions to the export prohibitions where goods are intended for humanitarian purposes, health emergencies, human health and safety or the environment, or in response to natural disasters; and medical or pharmaceutical purposes. The prohibition on financial assistance for trade with Russia also includes an exception where public financing or financial assistance is made for trade in food, or for agricultural, medical or humanitarian purposes. Moreover, the ban on Russian nationals’ deposits includes the standard basic needs and humanitarian purposes authorization (see fn 4).

United Kingdom

Sanctions Package

On February 25, the United Kingdom sanctioned President Putin and his Foreign Minister, Sergey Lavrov. On February 28, the United Kingdom imposed sanctions against three additional banks: Public Joint Stock Company Bank Financial Corporation Otkritie (“Otkritie”), Open Joint Stock Company Sovcombank (“Sovcombank”) and Vnesheconombank (“VEB”), following from previous US designations of these entities; see our latest Alert on US sanctions [here](#). At the same time, the United Kingdom amended the restrictions applied to Sberbank (previously subject to sectoral capital markets restrictions) to include prohibitions on correspondent banking and sterling clearing, in line with the latest US restrictions on Sberbank.

On March 1, the United Kingdom prohibited the provision of financial services for the purpose of foreign exchange reserve and asset management to:

- the Central Bank of the Russian Federation;
- the National Wealth Fund of the Russian Federation;
- the Ministry of Finance of the Russian Federation;
- a person owned or controlled directly or indirectly by any of the persons above; and
- a person acting on behalf of or at the direction of any of the persons above.

The United Kingdom has [also aligned](#) with the European Union, the United States and Canada to cut off certain Russian banks from SWIFT.

On March 3, the United Kingdom prohibited Russian ships from entering UK ports and prohibited registration of ships on the UK Ship Register where they are owned, controlled, chartered or operated by a designated person or persons connected with Russia, or otherwise specified ships. The European Union is expected to follow with a similar ban.

The United Kingdom also announced that it would introduce prohibitions on providing insurance to Russian companies in aviation and space industry and bring in legislation to prohibit UK based insurance and reinsurance providers from undertaking financial transactions connected with a Russian entity or for use in Russia. Details on this are to follow.

The United Kingdom previously announced that it will impose additional sanctions on Russia, including:

- Additional sanctions on Russian elites, companies and financial institutions, including more than 100 companies and oligarchs close to Putin’s regime;⁵
- The freezing of Russian bank assets in the United Kingdom;
- A prohibition on certain Russian state-owned and private companies (yet to be identified) seeking financing in the United Kingdom;
- Trade and export restrictions on high-tech and other industries;
- Restrictions on Russians using United Kingdom banks, including a £50,000 limit on bank account holdings;⁶ and
- A ban on all Russian airlines from using UK airspace. Initially the ban applied only to the national airline, Aeroflot, but this was expanded to all Russian airlines on February 26. As noted above, Russia responded quickly with an equivalent ban, which has significantly extended flight times for UK airlines flying to and from Asia.

On March 2, the United Kingdom introduced [trade sanctions](#) prohibiting the export of “critical-industry goods and critical-industry technology” for export, supply or transfer to, or for use in, Russia, along with the provision of related technical assistance, financial services and brokering services. These items include technology for use in telecommunications, marine, aerospace and propulsion, navigation and avionics, sensors and lasers, and information security – in line with similar export controls put in place by the United States and European Union.

Exceptions

The United Kingdom has introduced a [general license](#) to wind down (or facilitate the wind-down of) activities with or positions in VTB bank, which was sanctioned early last week.

The United Kingdom also introduced two further general licenses related to VTB and its UK subsidiaries to wind down operations. The licenses specifically allow:

- VTB Capital and its UK subsidiaries to make payments, including for basic needs, reasonable fees or service charges arising from routine holding and maintenance of its frozen funds and economic resources, and reasonable professional fees for the provision of legal services; and
- relevant financial authorities to do anything with regard to VTB Capital and its UK subsidiaries related to prudential supervision, or protecting, maintaining or enhancing the financial stability of the UK.

These licences run from 1 March 2022 until 1 March 2023.

The United Kingdom also introduced [three general licenses](#) to permit:

- A seven-day wind-down period in respect of sovereign debt, loans and money market instruments measures;
- A 30-day wind-down period in respect of the clearing and correspondent banking prohibitions on Sberbank; and
- A wind-down period until June 24, 2022 to permit UK financial institutions to continue processing GBP payments to/from Sberbank and its subsidiaries where the payments relate to Relevant Energy Products for use in the United Kingdom.⁷

Similar to the European Union, the United Kingdom typically implements more specific sanctions restrictions to avoid humanitarian impacts without the need for an exception or general license. Given the proposal to limit Russian nationals' account access in the United Kingdom similar to that in the European Union, we can also likely expect basic needs permissions with respect to those restrictions. As the United Kingdom has not yet implemented many of its proposed sanctions, however, it is not clear what will be put in place related to humanitarian exemptions or licensing grounds. The current prohibition on investment in Crimea, which is meant to be extended to the DNR and LNR regions, provides a licensing ground for the provision of services if necessary for the "urgent prevention or mitigation of an event likely to have a serious and significant impact on human health and safety, including the safety of existing infrastructure, or the environment." Similarly, the current Russia-related export sanctions contain an exemption for "an act dealing with an emergency," defined as "an act assisting with the urgent prevention or mitigation of an event likely to have a serious and significant impact on human health or safety, infrastructure or the environment." These types of exemptions and licensing grounds may be reasonable to expect with the new sanctions once adopted into law.

Next Steps

Companies should conduct thorough due diligence of any Russia-related transactions to ensure compliance with EU and UK regulations. Companies may wish to consider additional protections required (*e.g.*, inclusion of DNR and LNR regions in restricted activity definitions) as well as any impacts as regards pre-existing contractual arrangements (such as financing agreements). Given the rapid pace of change, companies should also continue monitoring for further escalation of trade restrictions.

The response of the international community is developing at a rapid rate. Ropes & Gray is monitoring developments closely and will publish further Alerts as events progress.

1. Please see [here](#) our previous Alerts on initial sanctions by the European Union, the United Kingdom, and the United States in response to Russia's invasion of Ukraine.
2. The European Union has noted Belarus's involvement in supporting the Russian invasion and announced a new sanctions package targeting Belarus late on February 27, with details to follow. On March 2, the European Union [imposed sanctions](#) against high ranking Belarusian military personnel and introduced further restrictions on trade with Belarus.
3. The banks added to capital markets restrictions include Alfa Bank, Bank Otkritie, Bank Rossiya, and Promsvyazbank, while companies added to capital markets restrictions include Almaz-Antey, Kamaz, Novorossiysk Commercial Sea Port, Rostec (Russian Technologies State Corporation), Russian Railways, JSC PO Sevmash, Sovcomflot, and United Shipbuilding Corporation.
4. The €100,000 deposit limit is per financial institution, and does not apply to (i) Russian nationals resident in an EU Member State, or (ii) deposits necessary for non-prohibited cross-border trade in goods and services between the European Union and Russia. Member States may also authorize acceptance of deposits from Russian nationals or residents for a variety of reasons including basic needs (such as health care, food, or rent), payment of professional fees, "extraordinary expenses," diplomatic purposes, humanitarian purposes or for use for civil society activities promoting democracy, human rights or the rule of law in Russia.
5. On March 3, the United Kingdom designated prominent Russian elites, Igor Ivanovich Shuvalov and Alisher Burkhanovich Usmanov.
6. As of the publication of this Alert, further detail has not been provided as to how this prohibition will operate specifically. However, see above for further specific detail of the implementation of a similar regime in the European Union. The United Kingdom may choose to follow similar parameters.
7. Defined as crude oil, petroleum products, and gas.