

June 16, 2022

Russia/Ukraine Crisis: U.K. and E.U. Impose Further Sanctions

In response to Russia's continued military invasion of Ukraine, both the United Kingdom and the European Union have implemented additional asset freeze and trade sanctions measures, issued a number of corresponding general licenses, and provided updates to relevant corresponding guidance. This Alert summarizes the key further actions taken in the United Kingdom and the European Union since our Alert dated April 15 (and updated April 26), published [here](#). For the latest update on United States sanctions, see our Alert dated May 9, 2022, published [here](#).¹

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United Kingdom

New Monetary Guidance & Strict Liability Regime

On June 8, 2022, the Office of Financial Sanctions Implementation (the "OFSI") updated its enforcement and monetary penalty [guidance](#) reflecting updates to the [Economic Crime \(Transparency and Enforcement\) Act 2022](#), which comes into effect on June 15, 2022. Director Giles Thomson also wrote a [blog](#) on the updates.

Starting on June 15, 2022, OFSI will be able to impose civil monetary penalties on a strict civil liability basis, changing the previous showing of knowledge or reasonable cause to suspect that a person was in breach of financial sanctions. OFSI will still bear the burden of proof to establish the breach itself. Even when a monetary penalty is not imposed, OFSI will also have the power to publicize details of financial sanctions breaches committed after June 15, 2022, including case summaries and the identities of persons who committed the breach.

The [updated monetary penalty guidance](#) also comes into force on June 15, 2022. OFSI noted that it will continue to assess severity of a breach and conduct of the persons involved in determining enforcement, to include consideration of whether the person knew or suspected that their conduct amounted to a breach of financial sanctions.

To more efficiently manage resources, someone other than a minister will be able to undertake reviews of monetary penalties after June 15, 2022.

Asset Freezes

- On May 13, 2022, the United Kingdom [added](#) 12 entries to the asset freeze list; these include a number of Russian President Vladimir Putin's family members and persons associated with prominent Russian companies.
- On May 19, 2022, JSC Rossiya Airlines, JSC Ural Airlines, PJSC Aeroflot were [added](#) to the asset freeze list.
- The United Kingdom also [amended](#) a number of entries on the asset freeze list, largely to further specify the bases for the freezes.²
- On June 16, 2022, the United Kingdom [added](#) 12 entries to the asset freeze list, including Patriarch Kirill of Moscow, the head of the Russian Orthodox Church; Sergey Savostyanov, the deputy of the Moscow City Duma; Alexey Isaykin, president and director of Volga-Dnepr Group; four military colonels responsible for atrocities in Bucha, Ukraine; members of the Salvation Committee for Peace and Order, an organization supporting Russia's occupation of the Kherson Oblast in Ukraine; and six Russian suppliers of the Myanmar Armed Forces.

Trade Restrictions

On May 9, 2022, the United Kingdom [announced](#) a new package of trade restrictions (a combination of import tariffs and export bans) targeting more than £1.7 billion worth of trade with Russia and Belarus. On June 1, 2022, the United

Kingdom [introduced](#) the import tariffs associated with this announcement – imposing additional duties of 35% on £1.4 billion worth of products such as diamonds and rubber imported from Russia and Belarus.

As of the date of publication, the export bans announced on May 9 have not yet been introduced. These will target more than £250 million worth of goods in sectors of the Russian economy that are most dependent on U.K. goods, including chemicals, plastics, rubber, and machinery.

General Licenses

- On May 12, 2022, OFSI issued a [general license](#) to temporarily authorize payments and certain permitted activities related to wind-down activities, basic needs, and insolvency proceedings involving Amsterdam Trade Bank NV (a subsidiary of Alfa-Bank JSC) and its subsidiaries. The general license expires on May 12, 2023.
- On May 13, 2022, OFSI [amended](#) the general license permitting wind-down transactions related to Sovcomflot by extending the wind-down period through June 30, 2022.
- On May 23, 2022, OFSI issued a [general license](#) allowing U.K. persons to purchase tickets from Aeroflot, Rossiya Airlines, Ural Airlines, Russian Railways, or their subsidiaries for flights or rail journeys originating in or within Russia. The license expires on May 23, 2023.
- On May 30, 2022, OFSI issued a [general license](#) allowing interim managers and trustees appointed by the Charity Commission for England and Wales to act as receivers and managers in respect of the property and affairs of a charity, including by allowing for the basic needs of operations of charities and routine holding and maintenance of frozen funds, the receipt and disbursement of charitable funds, and the payments associated with the wind up of a charity. The license expires on May 30, 2023.
- On May 30, 2022, OFSI also issued a [general license](#) allowing non-designated persons to continue business operations involving the provision of electronic communication networks, electronic communications services, or news reporting and journalistic services involved in the reporting of news and current affairs by a recognized news publisher, as well as process payments associated with these services. The license expires on May 30, 2024.
- The General Licence allowing the continuing operation of Chelsea Football Club expired as of May 31, 2022, and has not been extended in light of the UK Government’s organized sale of the club following the sanctioning of its now-former owner, Roman Abramovich.
- On June 10, 2022, OFSI issued a [general license](#) permitting the use, subject to certain conditions, of retail banking services of a Credit or Financial Institution that has been designed under Regulation 5 of the Russian Regulations, provided that the payments made or received are intended for personal use and do not, in the aggregate, exceed £50,000.

What’s Next

As of the date of publishing, in addition to the [announced](#) export bans on more than £250 million worth of goods (see above), the United Kingdom has also yet to implement its [previously announced](#) ban on the export to Russia of certain services, including management consulting, accounting, and public relations. Both restrictions will likely be implemented in the coming weeks.

European Union

On June 3, 2022, the European Union [announced](#) a [sixth package](#) of sanctions against Russia, as well as an accompanying [press release](#) and [Q&A](#). The European Council also released its own [press releases](#) detailing the new sanctions measures targeting Russia and Belarus.³

Asset Freezes

The European Union designated an additional 65 individuals and 18 entities. The newly designated individuals and entities fell into a number of different categories, including:

- **Military staff responsible for atrocities committed by Russian troops in Bucha and Mariupol, Ukraine**, including Col. Azatbek Omurbekov (the so-called “Butcher of Bucha”), Col.-Gen. Mikhail Mizintsev (the so-called “Butcher of Mariupol”), and those who participated in the creation of the so-called Committee of Salvation for Peace and Order;
- **Key Russian businesspeople** supporting the Russian government or involved in economic sectors providing substantial revenue to the Russian government, as well as some associated family members;
- **Senior Russian government officials**;
- **Family members of previously designated persons**; and
- **Other Russian businesses** supporting the Government and the Armed Forces of the Russian Federation, such as Russia’s largest securities depository, the National Settlement Depository.

Trade and Financial Restrictions

The new European Union sanctions package also includes additional [trade restrictions](#) against Russia. Included among the new trade restrictions are prohibitions on:

- **Any purchase, import, or transfer directly or indirectly, of crude oil and certain petroleum products⁴ that originate in, or are exported from, Russia into the European Union,⁵ as well as any related technical assistance, brokering services, financing or financial assistance, or any other services.⁶** The package contains a phase-out period of six months (*i.e.*, December 3, 2022) for crude oil and eight months (*i.e.*, February 3, 2023) for other refined petroleum products; because of its specific dependence on such petroleum products, an additional ten-month period has been extended to the Czech Republic. The package also includes a temporary exemption for Russian crude oil imported by pipeline to EU member states that have a specific dependence on Russian supplies and no viable alternative options; however, member states benefiting from this exemption cannot resell such crude oil and petroleum product to other countries. In addition, due to specific geographical exposure, Bulgaria and Croatia are provided temporary derogations concerning the import of Russian seaborne crude oil and vacuum gas oil, respectively. According to EU announcements, the package contains a complete import ban on all Russian seaborne crude oil and petroleum products, and covers 90% of the EU’s current oil imports from Russia.
 - The prohibition on crude oil and certain petroleum products also extends to the insurance and reinsurance of maritime transport of such goods to third countries, following a six-month wind-down period.
- **The provision of technical assistance, brokering services or financing or financial assistance, related to the transport, including through ship-to-ship transfers, to third countries of crude oil and certain petroleum**

products that originate in, or are exported from, Russia. The package permits wind down until December 5, 2022, for the execution of contracts concluded before June 4, 2022.⁷ The regulation specifically does not apply to the purchase, import, or transfer of crude oil or petroleum products that originate in a third country and are only being loaded in, departing from, or transiting through Russia, provided that both the origin and the owner of those goods are non-Russian.

- The provision of specialized financial message services (SWIFT) to additional entities: Sberbank, Credit Bank of Moscow, Russian Agricultural Bank, and the Belarusian Bank for Development and Reconstruction.
- **The broadcasting activities of additional entities not previously included in the EU’s broadcasting ban:** Rossiya RTR / RTR Planeta, Rossiya 24 / Russia 24, and TV Centre International. The advertising of products or services on sanctioned outlets is also prohibited. The ban does not prohibit these entities from carrying out non-broadcasting activities (*e.g.*, research and interviews).
- **The export to Russia or Belarus of an expanded list of dual-use goods and technology**, including 80 chemicals that can be used to produce chemical weapons and other goods and technology that may contribute to the technological enhancement of Russia’s defense and security sector. The package adds the United Kingdom and South Korea to the list of partner countries (previously only the United States) that have adopted substantially equivalent export restrictions; the sale, supply, transfer, or export of dual-use goods and technology, or the provision of related technical or financial assistance, for non-military use or non-military use end users in these partner countries are permitted under EU regulations.
- **The provision, directly or indirectly, of accounting, auditing (including statutory audit), bookkeeping or tax consulting, or business and management consulting or public relations services** to the Russian government, as well as legal persons, entities, and bodies established in Russia.⁸
 - According to the preamble, “business and management consulting and public relations services” include: “advisory, guidance, and operational assistance services provided to businesses for business policy and strategy and the overall planning, structuring, and control of an organization.” Also included, as per the preamble, are “management fees and management auditing; market management, human resources, production management, and project management consulting; and advisory, guidance, and operational services related to improving the image of clients and their relations with the general public and other institutions.”
 - The prohibition does not apply to services “strictly necessary” for legal defence and the right to an effective legal remedy, or to services deemed necessary for humanitarian purposes or civil society activities that directly promote democracy, human rights, or the rule of law in Russia. It also does not apply to the provision of services “intended for the exclusive use of legal persons, entities or bodies established in Russia that are owned by, or solely or jointly controlled by, a legal person, entity or body which is incorporated or constituted under the law of a Member State.” There is a wind-down period through July 5, 2022, for contracts concluded before June 4, 2022.⁹

1. For all of our recent Alerts related to economic sanctions and export controls, please see our website [here](#).
2. See https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1079299/Notice_Russia_270522.pdf; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1079299/Notice_Russia_270522.pdf
3. On May 31, 2022, the EU also published updated guidance with respect to circumvention of its sanctions against Russia, noting that the threshold is acting with knowledge and intent, and the prohibition on circumvention applies on the territory of the EU and to all EU persons.
4. Including petroleum oils; oils obtained from bituminous minerals; waste oils; and others listed in [Annex XXV](#) of the regulation.
5. EU FAQs state that EU companies can still purchase or transport Russian seaborne crude oil when the goods are exported from Russia towards a third country and are not transiting EU territory. Moreover, the restrictions do not concern goods that are already released for free circulation within EU territory at the time when the restrictive measures became applicable.
6. EU FAQs state that the term “other services” is comprehensive and covers services that are “related to the goods” including “provision, manufacture, maintenance and use.”
7. EU FAQs state that the term “contract” refers to a binding commitment between parties; framework agreements or term sheets that do not contain the necessary elements for the execution of a transaction (*e.g.*, exact quantities, precise price, or delivery date) do not benefit from this exception.
8. Note that, as of the date of publishing, the United Kingdom has yet to implement its [previously announced](#) similar ban on the export to Russia of certain services, including management consulting, accounting, and public relations.
9. As noted above, EU FAQs state that the term “contract” refers to a binding commitment between parties; framework agreements or term sheets that do not contain the necessary elements for the execution of a transaction (*e.g.*, exact quantities, precise price, or delivery date) do not benefit from this exception.