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Russia/Ukraine Crisis: U.K. and E.U. Impose Further Sanctions on Russia and Belarus and Issue Clarifications

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In response to Russia’s continued military invasion of Ukraine, the United Kingdom and European Union have implemented additional asset freeze and trade and financial sanctions measures, issued a number of corresponding general licenses and exemptions, and provided updates to relevant corresponding guidance. Of particular note, the United Kingdom has implemented its long-awaited services restrictions and imposed broad new investment restrictions, while the European Union has sought to “[align](#)” with US and UK sanctions and to clarify and “strengthen the effectiveness” of existing measures. This Alert summarizes the key further actions taken in the United Kingdom and the European Union since our Alert dated June 16, published [here](#).¹

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United Kingdom

Asset Freezes

- On June 29, 2022, the United Kingdom [added](#) 13 entries to the asset freeze list, including Rosbank owner and Russia’s second richest man, Vladimir Potanin; chair of the board of directors of Kolmar Group and the cousin of Russian President Vladimir Putin, Anna Tsivelena; and Croatian national and president of Russian pipeline construction company Velesstroy, Mihajlo Perencevic. Also listed are various Russian banks and industrial companies, including Rosbank, Marshal.Global, Moscow Industrial Bank, Kolmar Group, Softlab, and JSC New Opportunities (which had acquired Sberbank’s legacy digital services in May 2022).
- On July 4, 2022, the United Kingdom [added](#) seven entries to the asset freeze list, including Turkish online media site United World International, which promotes pro-Russian disinformation; and six Russian individuals (including the daughter of Russian far-right strategist and noted Putin advisor Aleksandr Dugin) associated with SouthFront and other media outlets that promote pro-Russian disinformation.
- On July 5, 2022, the United Kingdom [added](#) two entries to the asset freeze list, including two individuals associated with SouthFront, an online media site that promotes pro-Russian disinformation. The United Kingdom also removed two individuals from the asset freeze, Russian general Sergey Kuzovlev and Russian legislator Sergey Pahomov.
- On July 15, 2022, the United Kingdom removed two individuals from the asset freeze who were associated with Rosneft.
- On July 26, 2022, the United Kingdom [added](#) 42 entries to the asset freeze list, including additional members of the Russian government, individuals and one entity involved in recruiting fighters from Syria to contribute to the conflict in Ukraine, and one UK-based video blogger involved in producing media content promoting actions to destabilize Ukraine.

On July 18, 2022, the United Kingdom [introduced](#) a further amendment to the Russia sanctions (the 13th amendment) that broadens the scope of activities for which individuals can be designated or deemed associated with a designated person. In particular, immediate family members of individuals meeting the designation criteria can also be designated.

Trade Restrictions

The United Kingdom has enacted a number of further amendments related to trade. In particular, on July 15, 2022, the United Kingdom [enacted](#) the 11th amendment, correcting and replacing the 10th amendment (earlier coming into force on June 23, 2022). These amendments imposed further restrictions on the export of maritime goods and technology to Russia (in particular for use on Russian-flagged vessels) and on the export of military goods and technology and other trade in Donetsk and Luhansk. These amendments also added a new prohibition on the export of banknotes to or for use in Russia and on the export of jet fuel and fuel additives (including related technical assistance and financial services).

The package also expanded existing sanctions on the import of revenue-generating goods, and on trade related to Russian-origin iron and steel goods, and oil refining goods and technology. Additionally, the 10th amendment introduced (as modified by the 11th amendment) prohibitions on the export of “interception and monitoring” goods and technology.

On June 26, 2022, the United Kingdom [announced](#) sanctions on new exports of Russian gold. The sanctions were announced at the G7 summit and in conjunction with similar sanctions announced by Canada, Japan, and the United States. According to the G7, Russian gold exports were worth £12.6 billion in 2021 alone, and have increased in value as the ruble has diminished in value and sanctions have taken impact. The UK restrictions on gold were [enacted](#) on July 21, 2022, in the 14th amendment to the UK Russia sanctions, together with restrictions related to the import of coal and coal products and of oil and oil products, and the export of energy-related goods. These restrictions include a prohibition on supplying or delivering any “G7 dependency”-named goods from a third country to Russia or otherwise for use in Russia.

Financial Restrictions

On June 29, 2022, the United Kingdom [announced](#) that it was acting alongside international allies to introduce measures preventing Russia from accessing UK trusts services.

On July 18, 2022, the United Kingdom [enacted](#) further amendments (12th amendment), imposing restrictions on new investments related to Russia—specifically, prohibiting directly acquiring an interest in land in Russia or in entities connected with or having a place of business in Russia; joint ventures with persons connected with Russia; and the opening of a representative office or establishment of a branch or subsidiary in Russia, along with any investment services related to the foregoing. The restrictions also prohibit indirectly acquiring interest in land located in Russia or in a non-Russian entity with business in Russia if for the purpose of making funds or economic resources available “directly or indirectly to a person connected with Russia, or for the benefit of a person connected with Russia.” The amendments permit the satisfaction of obligations arising under a contract concluded prior to July 19, 2022, or any ancillary contract necessary thereto, provided that the Treasury is notified no later than five working days before the act is carried out. Licensing grounds include where necessary to perform humanitarian assistance activity, to provide medical goods or services for the benefit of the civilian population, and to enable the production or distribution of food for the benefit of the civilian population.

On July 21, 2022, the United Kingdom [enacted](#) the [previously announced](#) services restrictions prohibiting the provision to a person “connected with Russia” of: accounting services, business and management consulting services, or public relations services.² It is a defense to the prohibition if the UK person can show they “did not know and had no reasonable cause to suspect that the person to whom the services were provided was connected with Russia.”

General Licenses

- On June 30, 2022, OFSI issued a [general license](#) to temporarily authorize payments and certain permitted activities related to the wind-down of positions involving Rosbank PSJC and its subsidiaries. The general license originally expired on July 30, 2022 but was extended to September 30, 2022.

- On July 7, 2022, OFSI issued a [general license](#) to permit the United Nations, the Red Cross, Doctors Without Borders, and other charitable organizations and related individuals to provide humanitarian assistance in relation to the conflict in Ukraine.
- On July 19, 2022, OFSI issued a [general license](#) to permit a seven-day wind-down period with respect to the outward investment bans outlined in the United Kingdom’s 12th amendment to the sanctions (see above). The general license expires on July 26, 2022.
- On July 22, 2022, OFSI issued a [general license](#) to permit payments from designated persons to UK insurers for insurance premiums and broker commissions related to the provision of building and engineering insurance coverage provided to UK properties. The license also permits UK insurers to make payments to such designated persons as a result of a successful claim made against an insurance policy provided by the UK insurer or refunds due as a result of any overpayments made pursuant to the general license.

On July 18, 2022, under the 13th amendment, the United Kingdom included an exception for international and non-governmental organizations carrying out relief activities for the benefit of the civilian population of Donetsk and Luhansk.

New Red Alert on Financial Sanctions Evasion

On July 12, 2022, the Office of Financial Sanctions Implementation (the “OFSI”) and the National Economic Crime Centre (“NECC”) (a multi-agency unit in the National Crime Agency (“NCA”)), in conjunction with the Joint Money Laundering Intelligence Taskforce (“JMLIT”), issued a [red alert](#) titled “Financial Sanctions Evasion Typologies: Russian Elites and Enablers.” The purpose of the alert was to provide information regarding common techniques that designated persons and UK enablers use to evade financial sanctions. The alert highlighted that enablers (including lawyers, financial advisors, estate agents, auction houses, company directors, intermediaries, agents, and private family offices) help designated persons transfer, sell, or divest assets to their family members and other close associates.

The alert noted that Russian designated persons frequently transfer assets and funds, both directly and indirectly, to jurisdictions where sanctions are not in place, including the United Arab Emirates, Turkey, China, Brazil, India, and former Soviet states (including the Baltics). In addition, according to the alert, Russian designated persons are likely using alternative payment methods such as crypto-assets to circumvent sanctions and mitigate limitations on access to the SWIFT payment system.

Updated Guidance

On July 4, 2022, in response to an inquiry from the chair of the UK House of Commons Treasury Committee (the “Treasury Select Committee”), the UK Financial Conduct Authority (“FCA”) [published](#) a letter regarding its expectations and oversight priorities regarding regulated firms’ sanctions compliance obligations and the FCA’s response to Russia’s illegal invasion of Ukraine.

The United Kingdom has also made corresponding updates to its [guidance](#) on Russia sanctions to reflect the most recent amendments set out above, in particular clarifying the scope of transferable securities and the new investment restrictions. OFSI has also updated its guidance to reflect the fact that, according to its email communication, it is currently unable to “provide substantive engagement on specific licenses within four weeks.” If an application is urgent, OFSI requests that the reasons are clearly set out in the application.

Belarus Sanctions

On July 4, 2022, the United Kingdom [announced](#) and [enacted](#) new sanctions on the Republic of Belarus for its continued facilitation of Russia’s illegal invasion of Ukraine. The sanctions include import and export bans on goods worth approximately £60 million, including exports of oil refining goods, advanced technology components, and luxury goods,

as well as imports of Belarusian iron and steel. The sanctions also restricted Belarus's access to the UK financial sector by banning more Belarusian companies from issuing debt and securities in London.

On July 5, 2022, OFSI issued a [general license](#) to temporarily authorize payments and certain permitted activities related to the wind-down of any derivatives, repurchase, and reverse repurchase transactions entered into prior to July 5, 2022, involving the National Bank of Belarus, the Ministry of Finance of Belarus, and certain Belarusian individuals. The general license expires on August 4, 2022.

European Union

On July 21, 2022, the European Union [announced](#) its seventh package of sanctions, which will include a prohibition on the import of gold including jewelry from Russia to the European Union, in line with the G7 announcements (as set out above). The package, described as a “maintenance and alignment package,” also extends the list of items controlled for export related to defense and security and extends existing port access bans to limit circumvention risks. In further alignment with international partners, the European Union [imposed asset freeze sanctions](#) on Sberbank, which had previously been subject to EU sectoral sanctions and a ban from the SWIFT network. In total, the seventh package imposed asset freezes on a further 54 individuals and 10 entities, including companies operating in the military sector and shipbuilding industry, those involved in the stealing of Ukrainian grain, and additional entities that have “disseminated pro-Kremlin and anti-Ukrainian propaganda.” The seventh package also proposes to expand the scope of deposit restrictions to include “entities or bodies established in third countries and majority-owned by Russian nationals or natural persons residing in Russia.”

The announcement of the seventh package points out that EU sanctions are not intended to exacerbate food and energy insecurity and, accordingly, the new sanctions [extend](#) the exemption on transactions with certain specified state-owned entities where necessary for agricultural and food products, and provide further clarifications regarding the transport of oil to third countries. The announcement also states that EU sanctions do not prevent third countries or third-country nationals outside of the EU from sourcing pharmaceutical or medical products from Russia.

The [seventh package](#) also obliges sanctioned persons to notify the relevant competent authority (before September 1, 2022 or within six weeks of their designation, whichever is later) of funds and economic resources they hold within the jurisdiction of the competent authority.

Guidance

The European Union issued [guidance](#) on the provision of humanitarian aid in compliance with EU sanctions. While not specific to Russia, it provides some important clarifications and case studies regarding aid in the Donetsk and Luhansk regions of Ukraine.³

The European Union has also made a consolidated version of its FAQs available [here](#), which includes updates as of July 29, 2022 on [medicines and medical devices](#), [gold imports](#), [aviation](#), [asset freezes](#) and [oil reporting obligations](#).

What's Next

On June 30, 2022, the European Council [requested](#) the European Parliament's consent on a decision to add sanctions violations to the list of “EU crimes” in the Treaty on the Functioning of the European Union. This move would create uniform definitions and penalties across Member States, thereby ensuring consistency of enforcement and dissuading attempts to circumvent or violate EU sanctions. Recent [media reports](#) have indicated that senior European Union officials are also discussing the creation of a bloc-wide sanctions authority (similar to the U.S. Office of Foreign Asset Control (“OFAC”)), or to empower its planned Anti-Money Laundering Authority (“AMLA”) to do the same.

Recent [media reports](#) have suggested that the European Union may be considering removing sanctions on some Russian individuals following challenges as to the legal basis for imposition of asset freeze sanctions.

1. For all of our recent Alerts related to economic sanctions and export controls, please see our website [here](#).
2. The restrictions define “accounting services” as—
 - (a)(i) accounting review services, which are services involving the review by a person of annual and interim financial statements and other accounting information, but excluding auditing services;
 - (ii) compilation of financial statements services, which are services involving the compilation by a person of financial statements from information provided by a client, including preparation services of business tax returns when provided together with the preparation of financial statements for a single fee, but excluding such preparation services of business tax returns when provided as a separate service;
 - (iii) other accounting services such as attestations, valuations, preparation services of pro forma statements;
 - (iv) bookkeeping services, which are services consisting of classifying and recording business transactions in terms of money or some unit of measurement in the books of account, but excluding bookkeeping services related to tax returns;
 - (b) “business and management consulting services” means advisory, guidance and operational assistance services provided for business policy and strategy and the overall planning, structuring and control of an organisation, which includes (but is not limited to) management auditing; market management; human resources; production management and project management consulting;
 - (c) “public relations services” means services provided by a person related to improving the image of their clients and their relationship with the general public and other institutions, but excludes planning and creating services for advertising or public opinion polling services.
3. The EU also [updated](#) its “EU Best Practices for the effective implementation of restrictive measures.”