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Russia/Ukraine Crisis: Update on UK and EU Sanctions on Russia

In response to Russia’s ongoing military invasion of Ukraine, the United Kingdom and European Union have continued to implement additional asset-freezing sanctions and to issue further guidance and FAQs. Both the United Kingdom and European Union also recently announced additional trade and services restrictions, in line with agreements from the G7 countries to respond to Russia’s sham referendums in the Donetsk, Luhansk, Kherson, and Zaporizhzhia regions of Ukraine. The European Union finalized its eighth package of sanctions, which came into effect as of October 7, 2022; however, the United Kingdom has not yet released its final corresponding legislation.

Attorneys
[Amanda N. Raad](#)
[Sean Seelinger](#)
[Paige Berges](#)
[Stephanie A. Fagan](#)

This Alert summarizes the key actions taken in the United Kingdom and European Union since our Alert dated July 29, 2022, published [here](#).

UNITED KINGDOM

Asset Freezes

On August 2, 2022, the United Kingdom added Didier Casimiro and Zeljko Runje, former board members of the Russian oil company, Rosneft, to the asset freeze list.

- On September 16, 2022, the United Kingdom added Arkady Romanovich Rotenberg, a Russian businessman linked to Vladimir Putin and whose businesses are also linked to the Russian government, to its asset freeze list.
- On September 26, 2022, the United Kingdom added 92 entries (89 individuals and three entities) to the asset freeze list. These include persons identified as collaborators of Russia’s sham referendums, such as Vladimir Bepalov, Deputy Head for Domestic Policy of the administration installed by Russia in the Kherson region, as well as prominent businesspeople, such as 23 board members from Gazprombank including Deputy Chairman, Alexey Petrovich Belous, and 10 individuals from Sovcombank including Deputy Chairman, Sergey Nikolaevich Bondarovich. The entities listed include Goznak, a Russian company responsible for the research and development of security products; IMA Consulting, which managed the referendum campaigns in Ukraine; and LLC Commercial Bank – International Settlements Bank, alleged to provide financial services in the disputed territories in Ukraine.
- On September 30, 2022, the United Kingdom added Elvira Nabiullina, the Governor of the Central Bank of the Russian Federation, to the asset freeze list.¹
- On October 4, 2022, the United Kingdom added Sergei Vladimirovich Yeliseyev, Deputy Prime Minister of Kaliningrad and Head of Government of the Russian-occupied Kherson region, to the asset freeze list.

Trade and Financial Restrictions

On September 30, 2022, the United Kingdom [announced](#) plans to enact a number of trade restrictions – in particular, an export ban on roughly 700 goods crucial to Russia’s industrial and technological capabilities. According to the United

¹ In the recent [announcement](#) regarding the new sanctions, the United Kingdom clarified that it does not consider that Elvira Nabiullina, the Governor of the Central Bank of the Russian Federation, owns or controls the Central Bank – therefore, the Central Bank does not need to be considered as sanctioned by virtue of control by Nabiullina.

Kingdom's announcement, the goods are critical for production in Russia's manufacturing sector, with imports from the United Kingdom totaling more than £200 million last year.

The United Kingdom also announced that where it has designated a bank as a sanctioned entity, the United Kingdom would "suspend the process through which actions taken to manage the orderly failure of Russian banks are recognised under the laws of the United Kingdom" in order to "prevent those Russian actions from taking legal effect in the [United Kingdom] and potentially providing economic benefit to the Russian state."

Services Restrictions

In lockstep with the G7 countries, the United Kingdom also announced new services restrictions. Following earlier restrictions on the export of accounting services, business and management consulting services, and public relations services, the United Kingdom will introduce prohibitions on IT consultancy services; architectural services; engineering services; transactional legal advisory services; and auditing services.

According to the UK announcement, Russia imports 85% of its legal services from the G7 countries, with the United Kingdom accounting for 59% of these imports. The new legal advisory measures will cover "certain commercial and transactional services." The IT consultancy services ban will include "designing IT systems and software applications." However, as of the date of this alert, we are still awaiting final legislation.

General Licenses

- On August 5, 2022, the Office of Financial Sanctions Implementation ("OFSI") issued a [general license](#) that permits companies/persons to use the retail banking services of a designated Credit or Financial Institution for the purpose of winding down business operations in Russia. The license is subject to certain reporting requirements and permits payments of, inter alia, staff salaries, taxes, and bills. The general license expires on November 5, 2022.
- On August 16, 2022, OFSI issued two general licenses. First, a [general license](#) for Crown Servants, Contractors, and their Family Members to allow such individuals to carry out activities in their personal capacity in Russia. Second, [another general license](#) permitting persons to continue to make payments to a sanctioned bank or subsidiary if the purpose of such payments is to make energy available for use in Mongolia. This general license expires on August 14, 2023.
- On August 18, 2022, OFSI issued two general licenses: a [general license](#) permitting the continuation of business operations involving Evraz Plc's North American subsidiaries, which will expire on March 31, 2023; and [another general license](#) that allows insurers in the United Kingdom to receive, and designated persons to make, [certain payments](#) to insurers in the United Kingdom from a frozen bank account.
- On August 22, 2022, OFSI issued two general licenses. One [general license](#) allows UK, Guernsey, and EU subsidiaries of Russian VTB Bank to make payments to cover their basic needs, including payments of: insurance premiums; reasonable fees for the provision of property management services; remuneration, allowances, or pensions of employees; taxes; rent or mortgage; and utilities. This general license expires on April 3, 2023. OFSI also issued a [general license](#) permitting UK-registered banks to take service fee payments relating to routine holding or maintenance fees from frozen accounts.
- On October 6, 2022, OFSI amended the [general license](#) to permit UK, Guernsey, and EU subsidiaries of VTB Bank to make payments related to insolvency proceedings under the German Banking Act. This general license expires on April 3, 2023.

Legislative and Guidance Updates

The [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#) were amended on August 30, 2022, to incorporate cryptoasset exchange providers and custodian wallet providers into the definition of “relevant firms.” Cryptoasset exchanges and custodian wallet providers therefore now have the same [reporting obligations](#) under United Kingdom sanctions legislation as other regulated firms. Relevant firms are expected to report to OFSI if, while conducting business, they: (i) know or reasonably suspect an individual/entity or ship is a designated person; (ii) hold frozen assets for a customer that is a designated person; or (iii) know or have reasonable cause to suspect that a person has committed an offence under the financial sanctions regulations.

On September 22, 2022, the second UK [Economic Crime and Corporate Transparency Bill](#) passed its first reading in the House of Commons. The proposed legislation includes a provision to make it an offence for a designated person to act as director of a company or take part in management of a company in the United Kingdom. The current status of the Bill can be found [here](#).

EUROPEAN UNION

On September 30, 2022, the European Union [announced](#) its eighth package of sanctions. The final package was agreed on October 6, 2022, and became effective as of October 7, 2022. The final legislation can be found [here](#).

Asset Freezes

On August 4, 2022 and September 1, 2022, the European Union designated five additional Russian government officials.

On October 6, 2022, the European Union designated an additional 30 individuals and seven entities. The newly designated individuals and entities fell into several categories including:

- **Illegitimate proxy Russian authorities** in the Donetsk, Luhansk, Kherson, and Zaporizhzhia regions;
- **Russian individuals who organized and facilitated the sham referendums** in these occupied areas of Ukraine;
- **Individuals in the defense sector**, including several Deputies of the Russian Ministry of Defense, a Major General who is the Commander of a Russian army unit occupying Ukraine, as well as persons and companies that support the Russian armed forces by providing army equipment and weapons, including missiles and fighter aircrafts, and who benefit from the war; and
- **Individuals who spread false information about the war.**

The European Union introduced derogations to permit the wind-down of any joint ventures concluded before March 16, 2022 with **PJSC KAMAZ**, a Russian manufacturer of heavy-duty transport vehicles. The derogation permits member states to authorize the release of frozen funds if required to complete transactions necessary for wind-down by December 31, 2022.

Member states may authorize the release of certain frozen funds or economic resources to the **National Settlement Depository**, Russia’s central securities depository, if necessary for the termination by January 7, 2023 of operations, contracts, and similar agreements concluded before June 3, 2022.

Expansion of Designation Criteria

The European Union has also updated its listing criterion, which will allow it to sanction persons who facilitate the circumvention of sanctions, including circumvention committed by EU citizens and entities incorporated under the laws of a member state.

According to its [press release](#) on the new measures, the Council of the EU “considers that facilitating infringements of the prohibition against circumvention of certain EU restrictive measures is likely to contribute to destabilising Ukraine or undermining its territorial integrity, sovereignty and independence.”

Trade and Financial Restrictions

- **Extension of comprehensive sanctions to the Kherson and Zaporizhzhia regions annexed by Russia.** The restrictions applied to the so-called Donetsk and Luhansk People’s Republics have been extended to the Kherson and Zaporizhzhia regions that were illegally annexed by the Russian Federation. These include prohibitions on imports from the regions; trade in goods and technology for use in certain sectors; and services in the transport, telecommunications, energy, or prospecting, exploration, and production of oil, gas, and mineral resources sectors.
- **Crypto wallet restrictions** extended to prohibit all cryptoasset wallets, accounts, or custody services, irrespective of the amount of the wallet (previously up to €10,000 was allowed) for Russian nationals.
- **Import bans on luxury items** have been extended to include additional types of machinery and appliances, vehicles, certain chemical products, plastics, paper, and wood pulp. Cosmetics, cigarettes, textiles, footwear, leather, ceramics, and articles of stone are also banned from import. There is also a prohibition on the direct import, purchase, or transfer of precious stones, precious metals, or metal clad with precious metal.
- **The restriction on steel imports** has been amended to prohibit the import of iron and steel products that have been processed in a third country incorporating iron and steel originating in or exported from Russia. The ban for most products will go into effect from September 30, 2023, with the prohibition coming into effect for other products meeting certain technical requirements on April 1, 2024 or October 1, 2024.
- **Export bans** have been extended to additional items that might contribute to Russia’s military and technological enhancement or the development of its defense and security sector. This includes nine customs codes classifying electronic components found in Russian weapons. Twenty-two additional chemicals have been added to the list of controlled substances, as well as firearms and other goods that could be used for capital punishment or torture, as set out under the EU Anti-torture Regulation 2019/125.
- **Amendments to prohibitions on maritime transport of Russian-origin oil**
 - The EU’s sixth sanctions package imposed restrictions on the import of Russian-origin oil and on technical assistance related to transfers of Russian-origin oil to third countries (see our previous alert [here](#)). The eighth package seeks to alleviate global “energy security” impacts by implementing amendments to permit technical assistance and brokering services related to the maritime transport of certain Russian-origin crude oil and petroleum products to third countries, which have been purchased at or below a pre-established price cap set by the Price Cap Setting Body of the G7+ Price Cap Coalition.
 - The eighth package, however, introduces a prohibition on the transport, including ship-to-ship transfers, of Russian-origin oil to third countries if such oil exceeds the oil price cap. The prohibition on

transporting crude oil classified as CN 2709 00 will not go into effect until December 5, 2022, and for petroleum products falling under CN code 2710, the prohibition goes into effect on February 5, 2023.

- These measures will not become effective until the EU implements the Price Cap.

Service Restrictions

The package extends the previous prohibitions of the provision of services to Russia to include:

- **Architectural and engineering services**, including integrated engineering services, urban planning and landscape architectural services, and engineering-related scientific and technical consulting services. There is an exemption up until January 8, 2023, to carry out services necessary for contracts concluded before October 7, 2022, and there remains an exemption for services to Russian subsidiaries of EU companies.
- **IT consultancy services**, covering the installation of computer hardware and software implementation services, including assistance services to the clients in the installation of computer hardware and computer networks, and all consultancy services involving development and implementation of software. There is an exemption up until January 8, 2023, to carry out services necessary for contracts concluded before October 7, 2022, and there remains an exemption for services to Russian subsidiaries of EU companies.
- **Legal advisory services**, including the provision of legal advice to customers in non-contentious matters (including commercial transactions) involving the application or interpretation of law, participation with or on behalf of clients in commercial transactions, negotiations and other dealings with third parties, and the preparation, execution, and verification of legal documents.
- This prohibition does not extend to representation, advice, the preparation of documents, and verification of documents in the context of legal representation services, such as matters or proceedings before administrative agencies, courts, other duly constituted official tribunals, and arbitral and mediation proceedings.
 - The prohibition also does not apply to the “provision of services that are strictly necessary for the exercise of the right of defense in judicial proceedings and the right to an effective legal remedy.”
 - EU nationals are also banned from holding any posts on the governing bodies of certain listed state-owned entities.

Guidance

The European Union has also updated its FAQs as of October 10, 2022, in relation to [export restrictions and controls](#), [imports and purchase of listed goods](#), [access to ports in the European Union](#), [asset freezes](#), and [intellectual property rights](#). The consolidated version of these FAQs is available [here](#).

As reiterated in the [Q&A](#) on the eighth package, the European Union issued guidance on September 19, 2022 to clarify that the transfer of Russian fertilizers to third countries is permitted.

What's Next

While the United Kingdom has announced plans to expand services restrictions and trade restrictions in further lockstep with the European Union, the final legislation and its imposition are forthcoming. We do not currently have indications

when this is expected, but will update this Alert as soon as more details become available. In particular, the industry is eager to understand the extent of limitations on the provision of legal services.

Further sanctions are already being contemplated as Russia's aggression against Ukraine continues. For example, on October 11, 2022, the leaders of the G7 countries released a statement that they "have imposed and will continue to impose further economic costs on Russia, including on individuals and entities – inside and outside of Russia – providing political or economic support for Russia's illegal attempts to change the status of Ukrainian territory."