

US, UK and EU Ramp Up Sanctions and Export Controls as Russia's Invasion of Ukraine Continues

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Since the publication of our [February 26, 2022, client alert](#), the United States, United Kingdom and the European Union, among other allied nations, have imposed additional sanctions and export controls on key elements of the Russian economy as the country's invasion of Ukraine continues. These actions have been closely coordinated in an effort to put further stress on the Russian financial and defense sectors, target certain Russian oligarchs and their families, restrict exports to Russia, ban overflights by Russian aircraft, further prevent Russia's ability to use its foreign-held reserves to prop up the ruble and fund its war in Ukraine, and create a significant financial impact with a U.S. ban on the import of Russian oil, gas and coal products, and on new U.S. investment in the Russian energy sector.

Coordinated efforts include the creation by the U.S., U.K. and EU of task forces focused on enforcement of the sanctions and export control measures, and the identification of potential additional sanctions targets. The three jurisdictions also increased sanctions and export controls on Belarus following its support of the invasion.

Unless otherwise noted, this client alert describes developments through March 8, 2022. The landscape is rapidly changing; we will provide more information on new developments in the U.S., U.K. and EU — including the U.S. ban on the import of Russian oil, gas and coal products, and on new U.S. investment in the Russian energy sector — in upcoming client alerts.

I. US Sanctions

Prohibitions Involving the Russian Central Bank, National Wealth Fund and Ministry of Finance

On February 28, 2022, the Office of Foreign Assets Control (OFAC), a division of the U.S. Department of the Treasury, issued Directive 4 under Executive Order (E.O.) 14024, prohibiting U.S. persons from engaging in any transaction — regardless of currency — involving the Central Bank of the Russian Federation (the Russian Central Bank), the National Wealth Fund of the Russian Federation and the Ministry of Finance of the Russian Federation (collectively, the Directive 4 Entities), including any transfer of assets to, or foreign exchange transaction for or on behalf of, the Directive 4 Entities.

On February 28, 2022, and March 2, 2022, OFAC updated three general licenses (GLs) and issued two new GLs authorizing certain transactions prohibited under Directive 4. Each GL includes certain limitations.

- **GL 8A** updates GL 8 by adding the Russian Central Bank to the list of Russian financial institutions¹ for which transactions related to energy² are authorized through 12:01 a.m. Eastern Daylight Time on June 24, 2022. Of note, GL 8A does not authorize any transactions prohibited by Directive 1A, which, as described in our February 26, 2022,

¹ The authorization under GL 8A also applies to the State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank, PJSC Bank Financial Corporation Otkritie, OJSC Sovcombank, PJSC Sberbank of Russia, VTB Bank PJSC and any entity in which these banks own, directly or indirectly, individually or in the aggregate, a 50% or greater interest.

² A transaction is "related to energy" for purposes of GL 8A where it involves, among other things, the extraction, production, refinement, liquefaction, gasification, transport or purchase with respect to petroleum products, natural gas or other products capable of producing energy.

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client alert, restricts U.S. financial institutions³ from dealing in Russian sovereign debt issued by the entities targeted under Directive 4.

- **GL 9A** updates GL 9 to authorize, through 12:01 a.m. Eastern Daylight Time on May 25, 2022, all transactions prohibited by Directive 4 that are ordinarily incident and necessary to the receipt of interest, dividend or maturity payments in connection with Directive 4 Entities' debt or equity issued before March 1, 2022.
- **GL 10A** updates GL 10 to authorize, through 12:01 a.m. Eastern Daylight Time on May 25, 2022, all transactions prohibited by Directive 4 that are ordinarily incident and necessary to the wind-down of derivative contracts, repurchase agreements or reverse repurchase agreements entered into prior to 12:01 a.m. Eastern Standard Time on March 1, 2022, that include a Directive 4 Entity as a counterparty.
- **GL 13** authorizes, until 12:01 a.m. Eastern Daylight Time on June 24, 2022, U.S. persons to pay taxes, fees or import duties, and purchase or receive permits, licenses, registrations or certifications to the extent such transactions are prohibited by Directive 4.
- **GL 14** authorizes transactions involving a Directive 4 Entity where the Directive 4 Entity's sole function in the transaction is to act as an operator of a clearing and settlement system, provided that, unless separately authorized: (i) there is no transfer of assets to or from any Directive 4 Entity, and (ii) no Directive 4 Entity is either a counterparty or a beneficiary to the transaction. GL 14 is not time-limited.

GLs 10A, 13 and 14 note that they do not authorize any debit to an account on the books of a U.S. financial institution of any Directive 4 Entity.

³ For the purposes of Directive 1A under E.O. 14024, a "U.S. financial institution" is any U.S. entity (including its foreign branches) that is engaged in the business of accepting deposits, making, granting, transferring, holding, or brokering loans or credits, or purchasing or selling foreign exchange, securities, futures or options, or procuring purchasers and sellers thereof, as principal or agent. It includes depository institutions, banks, savings banks, money services businesses, operators of credit card systems, trust companies, insurance companies, securities brokers and dealers, futures and options brokers and dealers, forward contract and foreign exchange merchants, securities and commodities exchanges, clearing corporations, investment companies, employee benefit plans, dealers in precious metals, stones or jewels, and U.S. holding companies, U.S. affiliates or U.S. subsidiaries of any of the foregoing. This term includes those branches, offices and agencies of foreign financial institutions that are located in the United States, but not such institutions' foreign branches, offices or agencies.

New Blocking Sanctions

On February 28, 2022, OFAC added the Russian Direct Investment Fund (RDIF), a Russian sovereign wealth fund, and two of its affiliates⁴ to its list of Specially Designated Nationals. The U.S. Treasury Department indicated that Russian President Vladimir Putin and his inner circle have used RDIF to raise funds abroad. OFAC also designed RDIF's CEO, whom Treasury stated is a known ally of President Putin. To increase pressure on Russian elites close to President Putin, OFAC designated three Russian elites, two of their spouses, three of their adult children, six companies owned by these persons, as well as a private aircraft and superyacht owned by a Russian oligarch.⁵ OFAC also designated 26 Russia- and Ukraine-based individuals and seven Russian entities linked to Russian government disinformation operations, including the Strategic Culture Foundation (directed by the Foreign Intelligence Service), the InfoRos (directed by the Main Intelligence Directorate) and the Newsfront (directed by the Federal Security Service). Finally, the U.S. Department of State imposed sanctions on 22 Russian defense enterprises, including companies that develop and produce fighter aircraft, infantry fighting vehicles, electronic warfare systems, missiles and unmanned aerial vehicles for Russia's military.

As a result of these actions, any property or interest in property belonging to these persons that is in the United States or comes within the possession or control of a U.S. person must be blocked (*i.e.*, frozen), and U.S. persons are generally prohibited from engaging in any transactions or dealings involving them.

Banning of Russian Aircraft From US Airspace

On March 2, 2022, the U.S. announced that it will close off U.S. air space to all Russian flights, including aircraft certified, operated, registered or controlled by any person connected with Russia. This action effectively prevents Russian passenger and cargo airlines from flying to and from U.S. destinations.

New Implementing Regulations and Updated General Licenses

On February 28, 2022, OFAC promulgated the Russian Harmful Foreign Activities Sanctions Regulations at 31 C.F.R. Part 587 (the Russia Sanctions Regulations), which implement the prohibitions that have been imposed under E.O. 14024. The

⁴ RDIF affiliates Joint Stock Company Management Company of the Russian Direct Investment Fund (JSC RDIF) and Limited Liability Company RVC Management Company were also designated as part of this action. In 2015, OFAC imposed debt and equity restrictions on JSC RDIF's predecessor, the Russian Direct Investment Fund Management Company, pursuant to Directive 1 under E.O. 13662.

⁵ The U.S. Department of State also imposed visa restrictions on 19 oligarchs and 47 of their family members and close associates.

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regulations, which took effect on March 1, 2022, are similar in format to other skeletal regulations OFAC has promulgated in the context of other sanctions programs — most notably the Ukraine Related Sanctions Regulations. The Russia Sanctions Regulations do not add to or further clarify the prohibitions of the various directives issued to date by OFAC under E.O. 14024, nor do they incorporate the various GLs issued pursuant to E.O. 14024, which remain available only on OFAC's website. OFAC indicated that it intends to supplement the Russia Sanctions Regulations with a more comprehensive set of regulations, which may include additional interpretive guidance and definitions, GLs and other provisions.

II. US Export Controls

As anticipated, the Department of Commerce's Bureau of Industry and Security (BIS) has imposed additional export controls relating to the Russian invasion of Ukraine since announcing initial new measures targeting Russia and Russian "military end users" on February 24, 2022. In a series of final rules announced on March 2, 2022, and March 4, 2022, BIS (i) added significant new export controls targeting Belarus and Belarusian military end users, (ii) added additional entities to its Entity List, which identifies certain foreign persons that are subject to specific license requirements for the export, re-export and/or transfer of certain items, and (iii) expanded preexisting restrictions on Russia's oil and gas sector.

New Belarus Export Controls

On March 2, 2022, BIS filed a final rule subjecting Belarus to the same new export controls imposed on Russia on February 24, 2022. The new controls, which impose significant new export controls licensing requirements on Russia, now also apply to Belarus. As a result:

- The new license requirements for shipments to or within Russia of all items controlled in Commerce Control List categories 3 through 9 will apply to Belarus;
- The new Foreign Direct Product Rules (FDP Rules) specific to Russia and Russian military end users will apply to Belarus and Belarusian military end users;
- Export Administration Regulation (EAR) license exceptions available for shipments to or within Belarus will be restricted;
- Belarus will be identified as a country subject to military end use and military end user controls under 15 CFR § 744.21; and
- Two new Belarusian entities will be added to BIS' Entity List as military end users subject to footnote 3 of the Entity List.

The new export controls targeting Belarus will have the same exceptions and licensing policies as the new measures on Russia, including exceptions from the new FDP Rules for certain countries identified in supplement No. 3 to EAR part 746 (Russia and Belarus Exclusions List) for having committed to implementing substantially similar export controls on Russia and Belarus. These new measures can be expected to significantly limit Belarus' access to important technology and have substantial effects on its economy. For a more detailed explanation of these measures, see our [February 26, 2022, client alert](#).

Additional Entity List Designations

BIS also added to its Entity List 91 new entities located in Belize, Estonia, Kazakhstan, Latvia, Malta, Russia, Singapore, Slovakia, Spain and the U.K. As explained in a final rule announced on March 3, 2022, these entities were added to the Entity List because they "have been involved in, contributed to, or otherwise supported the Russian security services, military and defense sectors, and military and/or defense research and development efforts." While BIS noted that some newly listed entities are from allied countries, including members of the EU and NATO, this action was not against the countries in which the entities are located or the governments of those countries, and only targets the specific listed entities.

Any exports, re-exports or transfers (in-country) of items subject to the EAR to these newly listed entities will now require a license. A license review policy of denial will be imposed for 86 of the 91 entities; the remaining five will generally be subject to a license review policy of denial, but licenses will be reviewed on a case-by-case basis for U.S. government-supported space programs. In addition, no license exceptions will be available for the listed entities.

Expanded Russia Oil and Gas Sector Restrictions

Export controls restrictions on the Russian oil and gas industry sector that were originally imposed in August 2014 as a result of Russia's occupation of the Crimea region of Ukraine will be expanded to target additional items needed for oil refining. As a result of the 2014 changes, a license has been required for the export of certain items where a person has knowledge or reason to know that the item would be used directly or indirectly in Russia's energy sector for certain deepwater, Arctic offshore and shale projects that have the potential to produce oil and gas. The new final rule announced on March 3, 2022, extends these preexisting restrictions by adding a new licensing requirement for Russia applicable to a number of additional items needed for oil refining. Unlike the previously existing oil and gas sector

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measures, there is no knowledge requirement associated with this new licensing requirement, which applies to items identified in a new supplement to part 746 of the EAR. Licenses for items covered by the previously existing and new measures will be reviewed under a policy of denial, with an exception for items necessary for health and safety reasons.

Addition of South Korea to Excepted Country List

In a rule published on March 4, 2022, BIS added South Korea to the Russia and Belarus Exclusions List, which identifies 33 countries that BIS has determined are committed to implementing substantially similar export controls on Russia and Belarus. Countries on the Russia and Belarus Exclusions List may be partially or fully excepted from the new Russia and Belarus FDP Rules license requirements. In addition, for countries on the Russia and Belarus Exclusions List, the new license requirements set forth in EAR Section 746.8(a)(1) are not used to determine controlled U.S. content under the de minimis rules, provided other criteria are met.

III. UK Sanctions and Export Controls

The U.K. has started to issue legislation implementing several of its sanctions and export control measures as well as a number of general licenses. Although the measures are not as extensive as those taken by its counterparts in the U.S. and EU, the U.K. government has stated that it “will keep ratcheting up [our] response.” Therefore, we expect U.K. legislation and blocking sanctions to be issued in stages over the coming weeks, and we will continue to update as further legislation is released.⁶

Asset Freezes

On February 28, 2022, the U.K. imposed blocking sanctions on three additional banks: State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB), PJSC Bank Financial Corporation Otkritie (Otkritie) and PJSC Sovcombank. Each has either already been sanctioned by the U.S. and EU or is subject to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) ban described below.

On March 1, 2022, the U.K. imposed further blocking sanctions on four Belarusian individuals and two Belarusian companies for their role in the conflict in Ukraine,⁷ as well as Kirill Dmitriev and the Russian Direct Investment Fund. The U.K. imposed blocking sanctions on oligarchs Alisher Usmanov and Igor Shuvalov on March 3, 2022, but has not yet released its full list of 120 entities, subsidiaries and oligarchs to be sanctioned.

⁶ The Economic Crime (Transparency and Enforcement) Bill was brought forward on March 1, 2022, for its reading in the House of Commons.

⁷ Andrei Burdyko, Victor Vladimirovich Gulevich, Sergei Simonenko, Andrey Zhuk, JSC 558 Aircraft Repair Plant and JSC Integral.

Transport Restrictions

On February 25, 2022, the U.K. closed its airspace to all aircraft on scheduled services that are owned, chartered or operated by a person connected with Russia⁸ or registered in Russia.⁹

On March 1, 2022, the U.K. began prohibiting Russian ships and other ships specified by the U.K. secretary of state from entering ports in the U.K.¹⁰ An exception is provided for where access or entry is needed by the ship in the case of an emergency.

Financial Restrictions¹¹

On February 28, 2022, the U.K. Parliament passed an amendment, The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 (Amendment 2), which came into force on March 1, 2022. Amendment 2 expands existing prohibitions on transferable securities and money market instruments as well as on loans and credit. It also introduces restrictions related to correspondent banking relationships and the processing of sterling payments.

Amendment 2 allows the U.K. to ban selected Russian state and private companies as well as the Russian government from dealing with securities and making loans or providing credit on U.K. markets, and includes the following restrictions.

Transferable Securities¹²

- Those who are subject to U.K. jurisdiction¹³ are restricted from directly or indirectly dealing with transferable securities or money-market instruments in three classes:
 - **Class 1:** Transferable securities or money-market instruments with a maturity exceeding 30 days and issued on or after March 1, 2022, by a U.K. company owned by a person listed in Schedule 2 of the amendment (currently PJSC Sberbank of Russia (Sberbank), VTB Bank PJSC, Gazprombank, Vnesheconombank, Rosselkhozbank, OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom Neft) or a company acting on behalf of or at the direction of such U.K. company.

⁸ Although the legislation itself does not define “connected with Russia,” this term is defined in The Russia (Sanctions) (EU Exit) Regulations 2019.

⁹ Air Navigation (Restriction of Flying) (Russian Aircraft) Regulations 2022/183.

¹⁰ The Russia (Sanctions) (EU Exit) (Amendment) (No. 4) Regulations 2022.

¹¹ The Office of Financial Sanctions Implementation released updated guidance on March 4, 2022, although it has not yet updated its FAQs.

¹² Licensing provisions are set out in Schedule 5 and include: for the purposes of humanitarian assistance activity, medical goods or services, food, diplomatic situations, space and extraordinary situations.

¹³ U.K. sanctions apply to conduct within the U.K. (i.e., all persons within the territory or territorial sea of the U.K.) and to all U.K. persons (a U.K. national or a body incorporated or constituted under the law of any part of the U.K.), regardless of their location.

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- **Class 2:** Transferable securities or money-market instruments with no specified maturity period¹⁴ issued on or after March 1, 2022, by (i) a person connected with Russia who is not listed in Schedule 2, is not domiciled outside of Russia or is not a branch or subsidiary of a such a person domiciled outside of Russia, (ii) a person owned by (i), or (iii) a person acting on behalf of or at the direction of a person at (i) or (ii).
- **Class 3:** Transferable securities or money-market instruments with no specified maturity period issued on or after March 1, 2022, by or on behalf of the Russian government.

Loans and Credit¹⁵

- Those who are subject to U.K. jurisdiction are restricted from directly or indirectly granting a “relevant loan” or entering into an arrangement to grant a relevant loan. Relevant loans are any of the following:
 - **Category 1:** Loan or credit with a maturity exceeding 30 days made or granted to (i) a person listed in Schedule 2, (ii) a non-U.K. company owned by a person listed in Schedule 2, or (iii) a company acting on behalf of or at the direction of either (i) or (ii).
 - **Category 2:** Loan or credit with a maturity exceeding 30 days made or granted on or after March 1, 2022, to a U.K. company owned by a person listed in Schedule 2.
 - **Category 3:** Loan or credit with a maturity exceeding 30 days made or granted on or after March 1, 2022, to (i) a person connected with Russia, (ii) owned by (i), or (iii) a person acting on behalf of or at the direction of (i) or (ii). The loan must also not be a Category 1, 2 or 4 loan and must not be made or granted to a person domiciled outside of Russia, a person owned by somebody domiciled outside of Russia or a person acting on behalf of or at the direction of either of those.
 - **Category 4:** Loan or credit made or granted on or after March 1, 2022, to the Russian government.

The prohibitions do not apply to Category 1 loans consisting of a drawdown or disbursement made under an arrangement entered into before September 15, 2014, or to Category 2, 3 and 4 loans entered into before March 1, 2022, provided the terms and conditions were agreed upon before the relevant dates and have not been modified since, and a contractual maturity date has been fixed for repayment and for cancellation of rights.

¹⁴The [U.K. guidance](#) incorrectly states that there is a 30-day maturity period for this provision.

¹⁵Licensing provisions are set out in Schedule 5 and include: for the purposes of humanitarian assistance activity, medical goods or services, food, diplomatic situations, space and extraordinary situations.

Correspondent Banking/Processing Sterling Payments¹⁶

Amendment 2 inserts a new Regulation 17A that sets out restrictions on correspondent banking relationships and processing sterling payments. Under Regulation 17A, U.K. credit or financial institutions must not:

- establish or continue correspondent banking relationships with designated persons — at present, only Sberbank — or with U.K. or non-U.K. credit or financial institutions owned or controlled directly or indirectly by designated persons; or
- process sterling payments to, from or via such designated persons.

In connection with the above prohibition on processing sterling payments, there is an exception in relation to any fee or charge required to permit an aircraft to fly over, land in or take off from Russia.

A provision also allows a license to be granted to authorize all acts that would otherwise be prohibited by Amendment 2 in order to allow affected persons time to arrange their affairs to comply.

On March 1, 2022, the U.K. passed legislation¹⁷ prohibiting the provision of financial services for the purpose of foreign exchange reserve and asset management to the Russian Central Bank, the Russian National Wealth Fund and the Russian Ministry of Finance (and any persons owned or controlled directly or indirectly, or acting on behalf of or at the direction of, those entities). The legislation also sets out that licenses may be granted for humanitarian assistance activity, financial regulation, financial stability, safety and soundness of a firm, and extraordinary situations.

On March 8, 2022, the [U.K. passed legislation](#) that prohibits those who are subject to U.K. jurisdiction from providing insurance or reinsurance services relating to aviation or space goods and technology (i) to persons connected with Russia, or (ii) for use in Russia. The legislation includes a provision that allows a license to be granted to authorize acts that would otherwise be prohibited.

Export Controls

On February 28, 2022, the U.K. [suspended all extant export licenses for dual-use items in Russia](#) and suspended the approval of new export licenses for dual-use items to Russia. It also removed Russia as a permitted destination from a number of open general export licenses.

¹⁶Licensing provisions are set out in Schedule 5 and include: basic needs, legal services, financial regulation and extraordinary situations, for correspondent banking relationships. For sterling payments, licensing provisions include: humanitarian assistance activities, medical goods or services, food, diplomatic missions and space.

¹⁷[The Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 5\) Regulations 2022](#), inserting a new Regulation 18A.

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The U.K. also passed legislation to expand the scope of its existing export controls on “military goods [and] military technology” to prevent the export, supply and delivery, transfer of or making available “critical-industry goods and technology,” including certain electronics, computers, telecommunications equipment, sensors and lasers, navigation equipment, and aerospace and propulsion items, as well as “dual-use goods and technology.” The accompanying provisions around technical assistance, financial services, funds and brokering services have also been expanded to cover these new categories. The legislation also sets out a range of provisions around licensing to authorize trade in relation to personal items, diplomatic missions, consular posts and international organizations, the movement of aircraft and vessels, consumer communication devices and software updates, and emergencies.

General Licenses

The U.K.'s sanctions regulator, the Office of Financial Sanctions Implementation (OFSI), has issued eight general licenses with respect to the new sanctions:

- **General License INT/2022/1272278:** From February 25, 2022, until March 27, 2022, allowing persons to wind down any transactions in which they are a party, relating to VTB Bank or its U.K. subsidiaries.
- **General License INT/2022/1277777:** From March 1, 2022, until March 8, 2022, allowing persons to directly or indirectly deal with transferable securities or money-market instruments under Regulation 16, or grant or enter into an arrangement to grant Category 1, 2 or 3 loans under Regulation 17, and process sterling payments in relation to this authorization.
- **General License INT/2022/1277778:** From March 1, 2022, until March 31, 2022, allowing U.K. credit or financial institutions to (i) continue a correspondent banking relationship with Sberbank, and (ii) to process sterling payments to, from or via Sberbank or a non-U.K. or U.K. credit or financial institution owned or controlled directly or indirectly by Sberbank. Relevant institutions may also process sterling payments in relation to this authorization.
- **General License INT/2022/1277877:** From March 1, 2022, until June 24, 2022, allowing a U.K. credit or financial institution to process sterling payments to, from or via Sberbank or a non-U.K. or U.K. credit or financial institution owned or controlled directly or indirectly by Sberbank for the purpose of making relevant energy products available for use in the U.K. Relevant institutions may also process sterling payments in relation to this authorization.
- **General License INT/2022/1280976:** From March 1, 2022, until March 1, 2023, allowing anything to be done by or on behalf of a relevant U.K. authority with respect to VTB Capital plc and any entity owned or controlled by it incorporated in the U.K., for the purposes of prudential supervision or protecting, maintaining or enhancing the stability of the U.K. financial system.
- **General License INT/2022/1280876:** From March 1, 2022, until March 1, 2023, allowing VTB Capital and any entity owned or controlled by it incorporated in the U.K. to make payments for basic needs, including insurance premiums, property management services, remuneration, employee allowances or pensions, tax, rent, mortgage and utility bills. Also permitted are payments for reasonable professional legal fees and charges arising from routine holding and maintenance of its frozen funds or economic resources.
- **General License INT/2022/1298776:** From March 4, 2022, until April 3, 2022, allowing persons to provide financial services to Sberbank (or a subsidiary) for the purposes of winding down any activity relating to the financial services prohibition in Regulation 18A.
- **General License INT/2022/1295476:** From March 4, 2022, until April 3, 2022, allowing persons to wind down any transactions to which it is a party, involving Otkritie, Promsvyazbank, Bank Rossiya, Sovcombank, VEB (or a subsidiary) or Novikombank, including the closing out of any positions.

The Economic Crime (Transparency and Enforcement) Bill 2022

The Economic Crime (Transparency and Enforcement) Bill was introduced to the House of Commons for its first reading on March 1, 2022, and is set to be accelerated through the House of Commons process on March 7, 2022. It will then go through the House of Lords before receiving Royal Assent. In relation to sanctions, the bill provides, among other things, for:

- **New, stricter liability regime:** Fines can be applied to persons for breaches of financial sanctions, removing the previous requirement that the person had to have had knowledge or reasonable cause to suspect their activity breached sanctions; and
- **Publishing powers:** OFSI can publish details of those who have violated sanctions but have not been fined.

The U.K. government proposed a series of additional amendments to this bill on March 4, 2022, including an **urgent designation procedure**, under which the current test for “appropriateness” for sanctions designations would be removed to allow quicker designations of individuals and entities, which would give the U.K. the ability to align more rapidly with designations imposed by the U.S. and EU.

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IV. EU Sanctions and Export Controls

The president of the European Commission, Ursula von der Leyen, has summarized the EU measures to date as enacted “at light speed” to constitute the “largest sanctions package in our Union’s history.”¹⁸ On February 25, 2022, the EU published the legal instruments¹⁹ implementing a second set of sanctions in response to the Russian invasion of Ukraine. Shortly after, on February 27, 2022, and on March 2, 2022, the EU published further far-reaching sanctions and export controls.²⁰ EU officials stated that the sanctions are designed to have maximum impact on Russia’s political elite and four major economic sectors, namely the finance, energy, aviation and space, and high-tech sectors.²¹ The new measures further expand the existing sectoral sanctions framework and also include completely new types of sanctions. Among the new measures are limits on bank deposits and securities services provided both to sanctioned persons and more broadly to Russian individuals and entities. Additionally, the EU has suspended all transnational and cross-border programs with Russia and Belarus, such as the cooperation with Russian entities in research, science and innovation under the EU Horizon Program.²² EU officials continue to discuss further actions, including sectoral sanctions against Belarus and its government led by Alexander Lukashenko.

¹⁸ Speech by President von der Leyen at the European Parliament plenary session on the Russian aggression against Ukraine, European Commission (March 1, 2022).

¹⁹ Four Council Decisions and three Council Regulations: Council Decision (CFSP) 2022/327 amending Decision 2014/512/CFSP; Council Decision (CFSP) 2022/329 amending Council Decision 2014/145/CFSP; Council Decision (CFSP) 2022/331 amending Decision 2014/145/CFSP; the new Council Decision (EU) 2022/333 of February 25, 2022; Council Regulation (EU) 2022/328 amending Regulation (EU) 833/2014; Council Regulation (EU) 2022/330 amending Regulation (EU) 269/2014; Council Regulation (EU) 2022/332 also amending Regulation (EU) 269/2014.

²⁰ Four Council Decisions and four Council Regulations: Council Decision (CFSP) 2022/335 amending Decision 2014/512/CFSP; Council Decision (CFSP) 2022/337 amending Council Decision 2014/145/CFSP; Council Decision (CFSP) 2022/346 amending Decision 2014/512/CFSP; Council Decision (CFSP) 2022/351 amending Decision 2014/512/CFSP; Council Regulation (EU) 2022/334 amending Regulation (EU) 833/2014; Council Implementing Regulation (EU) 2022/336 implementing Regulation (EU) 269/2014; Council Regulation (EU) 2022/345 amending Regulation (EU) 833/2014; Council Regulation (EU) 2022/350 amending Regulation (EU) 833/2014.

²¹ See European Commission Press Statement “[Opening Remarks by President von der Leyen at the Joint Press Conference With President Michel and President Macron Following the Special Meeting of the European Council of 24 February 2022](#)” (February 25, 2022).

²² See European Commission Press Statements “[Commission Suspends Cooperation With Russia on Research and Innovation](#)” and “[Commission Suspends Cross-Border Cooperation and Transnational Cooperation With Russia and Belarus](#)” (March 4, 2022).

Expanded Export Controls

The EU has expanded the scope of its Russia-related export controls and introduced entirely new types of sectoral sanctions under Council Regulation No. 833/2014 (Regulation 833).²³

The expanded export control provisions include a ban on exports to Russia of dual-use items, regardless of whether they are intended for military use. Moreover, Regulation 833 now restricts the export of additional items, including goods and technology that might contribute to Russia’s military and technological enhancement (as listed in Annex VII to Regulation 833). Such items may be exported only under narrow circumstances (e.g., for humanitarian purposes) and subject to a prior authorization. Authorizations may also be granted for the performance of contracts concluded before February 26, 2022. Regulation 833 nevertheless prohibits the granting of export authorizations to specified Russian entities. The list of such entities has grown from nine military or mixed civilian-military companies to 64 entities and bodies.²⁴

Regulation 833 prohibits the export of goods and technology suited for use in oil refining (as listed in Annex V to Regulation 833). Related contracts concluded before February 26, 2022, may be executed until May 27, 2022. Similarly, goods and technology suited for use in the aviation and space industry (aircraft, spacecraft and related parts) and related services (including overhaul, repair, inspection and other services for aircraft) are prohibited from being exported. Related contracts concluded before February 26, 2022, may be executed until March 28, 2022.

Regulation 833 also prohibits the provision of technical assistance, brokering services, financing, financial assistance and other related services with respect to the above exports.

These new rules are complemented by a restrictive measure that forbids providing public financing or financial assistance for trade with Russia or investment in Russia. Small and medium-sized EU-based enterprises, however, may receive such public financing or financial assistance in the amount of up to €10 million per project. Further exceptions allow for trade in food and for agricultural, medical and humanitarian purposes, as well as for commitments established prior to February 26, 2022.

²³ Council Regulation (EU) No 833/2014 of July 31, 2014, concerning restrictive measures in response to Russia’s actions destabilizing the situation in Ukraine, as amended: See *Official Journal of the European Union* 229, Vol. 57 p.1.

²⁴ See Annex IV Regulation 833, as amended.

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More Rigorous Debt and Equity Restrictions Under Sectoral Sanctions

The amended Regulation 833 expands the sectoral sanctions targeting Russia's financial, energy and defense sectors that have been in place since 2014. Currently, Regulation 833 prohibits dealing in new transferable securities (which can be equity instruments, such as shares, or debt instruments, such as bonds) and money market instruments issued by specified entities (Restricted Entities) with a maturity exceeding 30 days. With respect to such transferable securities and money market instruments issued after April 12, 2022, there will be no permissible maturity threshold. Similarly, Regulation 833 previously prohibited the provision of new loans or credit with a maturity exceeding 30 days to Restricted Entities. Effective February 27, 2022, the provision of such new loans or credit also no longer has any permissible maturity threshold.

The list of specifically named Restricted Entities was expanded from 11 entities²⁵ to include four additional banks (per Annex XII) and eight companies with substantial economic relationships with Russia, its central bank or its government (per Annex XIII). The same sectoral sanctions (*i.e.*, the same debt and equity restrictions) continue to apply to non-EU entities owned over 50% or controlled by, and to entities acting on behalf or at the direction of, specifically named Restricted Entities.

Sanctions Against Russia's Central Bank

In order to prevent war financing, the EU has announced sanctions targeting the Russian Central Bank. As of February 28, 2022, transactions related to the management of reserves and to assets of the Russian Central Bank, including transactions with any legal person, entity or body acting on behalf of or at the direction of the Russian Central Bank, are prohibited. However, EU member states are still permitted to authorize respective transactions strictly necessary to ensure the financial stability of the EU.

Sanctions Targeting Financial Messaging Services

The U.S., U.K., EU and other allies agreed to remove seven major Russian credit institutions from SWIFT, a Belgium-based global interbank messaging system that banks use to facilitate cross-border payments. To implement these restrictions, the EU amended Regulation 833 to prohibit the provision of specialized financial messaging services (which are used to exchange

financial data) to the seven Russian credit institutions.²⁶ This prohibition also applies to any legal person, entity or body established in Russia that is owned more than 50% by one of the seven listed entities. The measures do not block the affected Russian credit institutions, but have the effect of removing the institutions from SWIFT, undercutting their ability to actively participate the international financial system. The amendment will take effect on March 12, 2022.

Sanctions Targeting Russian Investments and Deposits

The new EU sectoral sanctions curtail not only Russia's access to EU capital, but also Russia's investment in the EU. As of April 12, 2022, any legal person, entity or body established in Russia with over 50% public ownership will be banned from trading venues registered or recognized in the EU. Listing these Russian entities on an EU exchange or providing services to them on such trading venues will be prohibited.

Another new measure, unprecedented in the EU's sanctions approach to date, prohibits EU banks from accepting deposits exceeding €100,000 from Russian nationals, natural persons residing in Russia or legal persons, entities or bodies established in Russia. The term "deposit" includes any credit balance resulting from funds or transactions. In addition, central securities depositories may not provide any services for transferable securities issued after April 12, 2022, to any Russian national, resident or legal person, entity or body established in Russia. Furthermore, Euro-denominated transferable securities issued after April 12, 2022, may not be sold to any Russian national, resident or legal person, entity or body established in Russia. The restrictive measures do not apply to nationals of an EU member state or to deposits necessary for nonprohibited cross-border trade in goods and services between the EU and Russia.²⁷ Also, as of March 2, 2022, selling, supplying, transferring or exporting Euro-denominated bank notes to individuals or entities in Russia, including the government and the Russian Central Bank, is prohibited. Additionally, the new rules prohibit any investment in the Russian Direct Investment Fund.

Credit institutions are further required to inform the competent national authorities about any Russian customer with more than €100,000 in total deposits and to keep that information current. While the regulation does not state what the EU and its competent authorities intend to do with this information, the European Commission's President von der Leyen announced on February 27, 2022, that the EU would launch a task force dedicated to identifying the assets of sanctioned individuals within the EU jurisdiction.

²⁵ Sberbank, VTB Bank, Gazprombank, VEB, Rosselkhozbank, OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom Neft.

²⁶ See Annex XIV Regulation 833, as amended: Bank Otkritie, Novikombank, Promsvyazbank, Bank Rossiya, Sovcombank, VEB and VTB Bank. Absent from these measures were Sberbank and Gazprombank.

²⁷ See Article 5b No. 1, 2 Regulation 833, as amended.

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Blocking Sanctions Targeting President Putin and Others

In another unprecedented step, the EU added President Putin and the Russian minister of foreign affairs, Sergey Lavrov, to the list of financial sanctions targets. The two were included in a list of 98 individuals added to the annex of Regulation 269/2014 on February 25, 2022. Two days later, on February 27, 2022, the EU Council listed another 26 individuals and one additional entity to that annex. The individuals include government and military members as well as oligarchs and businessmen active in the oil, banking and finance sectors. On March 2, 2022, to also target the Lukashenko government due to its support of Russia's invasion of Ukraine, the EU added 22 Belarusian persons to the sanctions list implementing the announcement. Consequently, funds and economic resources of the sanctioned individuals and entities are frozen, and directly or indirectly making funds or economic resources available to those individuals or entities is prohibited. However, President Putin and Mr. Lavrov, unlike other listed persons, will not be banned from traveling to the EU.

Additional Restrictions on Visas, Aviation and Media

Council Decision (EU) 2022/333 immediately suspends the facilitation of the issuance of visas for Russian government officials, diplomats, delegates and business people. These arrangements allowed a quicker issuance of visas for up to 90 days per period of 180 days. In addition, the new Article 3d of Regulation 833

prohibits any aircraft operated by Russian air carriers or otherwise registered in Russia from taking off from or overflying EU territory. Exceptions will be granted for emergency overflights or humanitarian purposes. Furthermore, the EU implemented its announced "ban" of Russian state-owned media outlets Russia Today²⁸ and Sputnik within the EU. As of March 2, 2022, any broadcasting of Russia Today or Sputnik content and any related facilitation of or contribution to those broadcast services is prohibited. Respective EU broadcasting licenses and authorizations are suspended.

Further Measures

The EU stated that it would curtail the sale of citizenship²⁹ so that wealthy Russians connected to the Russian government will no longer be able to purchase citizenship (so-called golden passports) from EU member states.³⁰

The EU also announced it would adopt export controls on dual-use goods vis-a-vis Belarus.

²⁸ Annex XV to Regulation 833, as amended, refers to Russia Today English, Russia Today UK, Russia Today Germany, Russia Today France and Russia Today Spanish.

²⁹ Sale of citizenship is currently legal in three EU member states, namely Bulgaria, Malta and the Republic of Cyprus.

³⁰ See European Commission Press Statement "[Joint Statement on Further Restrictive Economic Measures](#)" (February 26, 2022).

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