

# US, UK and EU Expand and Amend Russian Sanctions, Responding to Purported Annexations of Ukrainian Regions

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In light of the recent referendums and purported annexation by Russia of four territories of Ukraine on September 30, 2022, the United States, United Kingdom and European Union have expanded measures and provided additional guidance related to Russia-related sanctions and export controls. These include the addition of new individuals who are subject to blocking and asset freezes, as well as limitations on dealings with entities that support the Russian war effort, the referendums it held in Ukrainian territories, or its purported annexation of four Russian-occupied regions of Ukraine. New U.S. rules target entities in third countries that help Russia “backfill” material for its military, and EU and U.K. export restrictions have also been expanded.

The actions by the three jurisdictions differ in some respects, but many of their new provisions overlap. We anticipate further actions in response to the attempted annexation. (For earlier updates, see our July 29, 2022, alert “[US Adopts Further Sanctions and Export Controls Targeting Russia](#)” and our August 1, 2022, alert “[EU and UK Adopt Further Sanctions and Export Controls Targeting Russia](#).”)

In addition to the recent measures imposed in reaction to the purported annexations in Ukraine, at the G7 meeting on September 2, 2022, agreement was reached to finalize and implement a comprehensive, global prohibition of services enabling maritime transportation of Russian-origin crude oil and petroleum products. The provision of such services would only be allowed if the oil and petroleum products were purchased at or below a price cap.<sup>1</sup>

## New US Sanctions and Export Controls

On September 30, 2022, several branches of the U.S. government announced expanded sanctions measures in response to Russia’s purported annexations.

### Expanded Blocking Sanctions

The U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) and the U.S. Department of State designated, or redesignated, numerous persons for enabling the referendums and annexations, including:

- persons in Russia’s military-industrial complex, including two international suppliers;
- key leaders of Russia’s financial infrastructure, including the governor and first deputy governor of the Russian Central Bank;
- immediate family members of certain senior Russian officials; and
- members of the Russian Duma who supported the annexation of Crimean territory.

Any property or interest in property belonging to these persons, or any entities in which these persons have a 50% or greater, direct or indirect, ownership interest, that is in the U.S. 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.

<sup>1</sup> This client alert is for informational purposes only and does not constitute legal advice. Complex assessments often have to be made as to which sanctions regime applies in any given instance, given the multinational touch points of many entities and individuals. In that regard, given the complex and dynamic nature of these sanctions regimes, there may be developments not captured in this summary. Moreover, while the summary was accurate when written, it may become inaccurate over time given developments. For all of these reasons, you should consult with a qualified attorney before making any judgments relating to sanctions, as there are potentially severe consequences of failing to adhere fully to sanctions restrictions.

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## New OFAC Guidance

OFAC issued [Frequently Asked Question 1091](#), warning that OFAC is prepared to use existing authorities to take action against persons inside and outside of Russia who provide material support to persons subject to existing U.S. Russia-related sanctions; attempt to circumvent or evade U.S. sanctions on Russia or Belarus; or provide political or economic support for Russia's efforts to annex Ukrainian territory. That includes material support for:

- the organization of Russia's referendums or annexation;
- economic or other activity that seeks to legitimize Russia's referendums or annexation;
- Russia's military and defense industrial base; or
- Russian entities or individuals that are subject to blocking sanctions.

OFAC emphasized that U.S. sanctions are not designed to target Ukraine or the Ukrainian people, including those living in areas occupied or annexed by Russia. OFAC also pointed to prior guidance, which clarifies that U.S. sanctions are not intended to target transactions related to the export of food or medicine, personal remittances, internet services, mail, or the activities of certain international or nongovernment organizations in Ukraine.

## BIS Entity List and Guidance

Concurrent with the Treasury and State Department actions, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) announced that [it had added an additional 57 entities](#) located in Russia and the Crimea region to the Entity List for "supporting the Russian military's brutal assault on Ukraine."

BIS also [issued guidance on September 30, 2022](#), that, as part of a rule that went into effect on September 15, 2022, U.S. export controls can be applied to entities in third countries that seek to provide material support for Russia's and Belarus's military and industrial sectors, "including to replenish ('backfill') technologies and other items prohibited by the United States and the 37 allies and partners that have implemented substantially similar controls."

Specifically, as part of the rule that went into effect on September 15, the "military end user" controls of the Export Administration Regulations (EAR) have been expanded to allow BIS to designate entities in third countries that support "military end uses" in Russia or Belarus as Russian and Belarusian "military end users" on the Entity List, and apply the Russian/Belarusian Military End User Foreign Direct Product rule to them.

A license is required when any entity (including those in third countries) designated on the Entity List as a Russian "military end user" is a party to any export, reexport or transfer. This

extends not only to items located or originating in the U.S., but also to certain foreign-produced items, that are: (i) the "direct product" of any "software" or "technology" of certain U.S.-origin technologies subject to the EAR, or (ii) produced by any plant or major component of a plant that is located outside the U.S., when the plant or major component of a plant itself is a direct product of certain U.S.-origin technology or software.

## New UK Sanctions and Export Controls

### Asset Freezes

The U.K. [imposed asset freezes on 92 key individuals](#), including a number who are associated with sanctioned Russian companies, those associated with what the U.K. and U.S. governments call the "sham referendums" in the four regions of Ukraine that Russia planned to annex, the governor of the Central Bank of Russia, as well as key individuals in the construction, mining and oil and gas sectors.

Asset freezes have also been imposed on companies in the public relations, security and the financial sectors.

These measures were imposed on August 2, September 26 and September 30, 2022.

### General Licences

Several new general licences have been issued, as well as amendments to existing ones.

**Bank services for wind downs** (General Licence INT/2022/2055384, August 5, 2022): Permits persons to use retail banking services of designated banks to make or receive banking payments which are for the sole purpose of winding down business operations in Russia, *e.g.* for payment of staff salaries, taxes, regulatory fees and other fees to official government bodies, and payment of bills or invoices, provided no payments are otherwise made to a designated person. Relevant institutions may also process payments in accordance with the above. Expires: November 5, 2022. There are reporting requirements with respect to such payments.

**Crown servants and contractors** (General Licence INT/2022/1845976, August 16, 2022): Permits crown servants, crown contractors and family members (including visiting family members) to conduct activities in their personal capacity in Russia that would otherwise be prohibited by Regulations 11-15 and 17A. Relevant institutions may also carry out any activity necessary to effect this. Entered into force August 19, 2022. No expiry date.

**Payments for energy purchases by Mongolia** (General Licence INT/2022/2085212, August 16, 2022): Permits payments to Credit

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Bank of Moscow, Gazprombank, Sberbank, Rosbank PJSC and their subsidiaries for the purpose of making energy available for use in Mongolia. Relevant institutions may carry out any activity necessary to effect this. Expires: August 14, 2023. There are record-keeping requirements with respect to such payments.

**Insurance-related payments** (amended General Licence INT/2022/2009156, August 17, 2022): Expands permitted insurance-related payments to include terrorism insurance, property owners' liability insurance and claims preparation insurance. No expiry date.

**Evrax North American operations** (extended General Licence INT/2022/1710676, August 18, 2022): Permits the continuation of business operations involving Evrax plc's North American subsidiaries (Evrax North America plc; Evrax Inc. NA; and Evrax Inc. NA-Canada). Expires: March 31, 2023.

**VTB Capital and Sberbank** (amended General Licence INT/2022/1280876, August 22, 2022 and October 6, 2022): Permits VTB Capital plc and Sberbank CIB (UK) Ltd and their U.K. subsidiaries to make payments for basic needs and reasonable fees, to include the following additional entities: VTBC Asset Management International Limited; VTB Bank (Europe) SE (VTBE); and any entity owned or controlled by VTBE incorporated in Germany. Expires: April 3, 2023.

**Service fees for frozen accounts** (General Licence INT/2022/2104808, August 22, 2022): Permits banks to take payment of service fees (including service fees arrears) for routine holding and maintenance from frozen accounts. Payments may not be made to banks that are designated. Where such payments result in a tax liability, HMRC may receive payments to settle those liabilities. No expiry date.

## Trade Sanctions and Export Controls

On September 30, 2022, the U.K. announced three additional measures:

- As anticipated, it will seek to prevent Russian access to IT consultancy services (including designing IT systems and software applications), architectural services, engineering services, advertising services, transactional legal advisory services and auditing services (expanding the existing accountancy services prohibition). The underlying legislation has not yet been released, so these prohibitions are not yet in force, however, we expect these to mirror the existing professional, accounting and business services sanctions that prohibit providing such services to persons connected with Russia.

- A new prohibition on exports from the UK to Russia will extend to almost 700 additional goods critical for production in Russia's manufacturing sector. This list has not yet been released.
- The process for recognizing Russian actions taken to manage orderly failure of sanctioned Russian banks has been suspended.

## New EU Sanctions and Export Controls

On October 6, 2022, the European Union adopted an eighth package of restrictive measures against Russia.

## Asset Freezes and New Listing Criterion

Since our last alert on the subject on August 1, 2022, the EU has imposed asset freezes on more individuals, including Viktor Yanukovich (president of Ukraine from 2010 to 2014) and additional members of the Russian State Duma. A few names have also been delisted.

The eighth package of sanctions includes additional asset freeze designations targeting:

- persons involved in Russia's occupation and annexation of areas of Ukraine, including the proxy Russian authorities in Donetsk, Luhansk, Kherson and Zaporizhzhia oblasts, and those associated with the referendums in these regions;
- individuals and entities working in the defense sector, including high-ranking officials of the Russian Ministry of Defense, as well as companies supporting the Russian armed forces; and
- actors who spread disinformation about the war, including those spreading false information and donating funds to Russian occupied areas of Ukraine.

Furthermore, the EU has introduced a new listing criterion, which will allow it to sanction persons who facilitate infringements of the anti-circumvention rule of the EU sanctions. Per the EU's Q&A on the new measures, this includes circumvention by EU citizens.

## Extended Trade Restrictions

EU trade restrictions against Russia have been further expanded, notably the list of goods and technology subject to import and export restrictions.

**Import restrictions.** Import restrictions on Russian products now include Russian-finished and semi-finished steel products (subject to a transition period for some semi-finished products), machinery and appliances, plastics, vehicles, textiles, footwear, leather, ceramics and articles of stone, and certain chemical products.

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The EU sanctions provide a three-month wind-down period to allow for the execution of contracts that were signed before the import ban on the semi-finished steel products took effect.

The EU sanctions also include a prohibition on the direct import, purchase or transfer of precious stones, precious metals or metal clad with precious metals.

**Export restrictions.** The list of products subject to an EU export ban has been expanded to reduce Russia's access to military, industrial and technological items, as well as its ability to develop its defense and security sector.

The list includes coal (including coking coal), specific electronic components (found in Russian weapons), additional items used in the aviation sector, as well as certain chemicals.

The EU has also implemented a prohibition on exporting small arms and other goods falling under the so-called anti-torture regulation (Regulation (EU) 2019/125).

## Price Cap on Russian Crude Oil and Petroleum Products

In addition to the EU's import ban on seaborne Russian crude oil that will take effect December 5, 2022, the eighth package of sanctions lays the legal groundwork to implement within the EU a price cap on purchases of Russian oil. This measure aligns the EU with the agreement reached in principle by the G7 countries to prohibit services that enable maritime transportation of Russian-origin crude oil and petroleum products globally in order to limit Russia's ability to fund the war against Ukraine. This measure is being closely coordinated with the G7 partners.

The price cap is set to take effect after December 5, 2022, for crude oil and, following an additional decision by the EU Council, after February 5, 2023, for refined petroleum products. The Commission has stated that implementing this measure will involve amending the EU sanctions (more precisely, the maritime services ban) to allow the provision of services to maritime transport below the cap. Services for transport above the cap remain sanctioned.

## Comprehensive Sanctions Against Russian-Controlled Parts of Zaporizhzhia and Kherson

The latest round of sanctions extends the geographical scope of the EU restrictions introduced on February 23, 2022, pursuant to Council Regulation 2022/263. The restrictions on economic relations with the areas of the Donetsk and Luhansk oblasts that are not controlled by the Ukrainian government now apply to areas of the oblasts of Zaporizhzhia and Kherson not controlled by the Ukrainian government as well.

## Restrictions on Professional Services and Cryptoassets

New restrictive measures widen the scope of professional services that EU persons can no longer provide to the government of Russia or legal entities established in Russia. Such services include IT consultancy, legal advisory, architectural and engineering services. These take effect on October 7, 2022.

There are a number of exceptions to this prohibition, and the competent authorities may authorize otherwise prohibited services under certain circumstances. The prohibition does not apply, for example, to the provision of services that are strictly necessary for the termination by January 8, 2023, of contracts concluded before October 7, 2022.

Another exception aims at allowing the provision of services that are strictly necessary to ensure access to judicial, administrative or arbitration proceedings in the EU, or for the recognition or enforcement of a judgment or an arbitration award rendered in the EU.

Moreover, the restriction on providing legal advisory services 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 that is incorporated or constituted under the law of an EU member state, a country member of the European Economic Area, Switzerland, or a partner country as listed in the EU Sanctions Regulation, *i.e.*, U.S., U.K., Japan and South Korea.

The new EU sanctions expand the existing restrictions on cryptoassets to ban all cryptoasset wallets, accounts, or custody services, regardless of the value of the cryptoassets, to persons residing or entities established in Russia.

## Additional Restrictions on State-Owned Enterprises

The comprehensive transaction ban on certain state-owned enterprises has also been imposed on the Russian Maritime Register, a state-owned entity that performs activities related to the classification and inspection, including in the field of security, of Russian and non-Russian ships and crafts.

The eighth package of sanctions also bars EU nationals from sitting on governing bodies of Russian state-owned enterprises that are subject to the transaction ban.

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