

UK Expands Prohibitions on Providing Services to Russian Entities and Adds Investment Restrictions

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On 15 December 2022 the United Kingdom announced its latest expansion of sanctions against Russia. New prohibitions were added relating to trust services, and professional and business services, and existing restrictions regarding transferable securities and loans and credit were expanded.

The new rules were published under the [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 17\) Regulations 2022](#) (Regulations), and came into force on 16 December 2022. These amended the [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#) (2019 Regulations). A seven-day general licence (INT/2022/2448692) in relation to certain of these prohibitions was also published, expiring on 22 December 2022.

Meanwhile, the European Union released its ninth set of sanctions. See our 22 December 2022 client alert, "[Latest EU Russian Sanctions Expand Sector Restrictions and Add Designated Individuals and Entities](#)".¹

Below we outline the key new prohibitions in the UK.

Investments in Russia

The new Regulations extend the prohibition against investing in Russia.

Regulation 18B(2)(E) prohibits persons from directly or indirectly acquiring any ownership interest in or control over a "relevant entity" where this is for the purpose of making funds or economic resources available directly or indirectly to, or for the benefit of, a person connected with Russia. "Relevant entity" now covers all entities that are not connected to Russia, whereas it was previously limited to entities that were not connected to Russia but had a place of business in Russia. Now the prohibition captures acquisitions in entities neither connected to Russia nor with a place of business in Russia.

Transferable Securities and Money-Market Instruments

A new category of restrictions was added to the 2019 Regulations. Regulation 16(4G) prohibits persons from directly or indirectly dealing with transferable securities or money-market instruments where:

- i. they have been issued on or after 16 December 2022,
- ii. by an entity that is not connected with Russia, and
- iii. for one of the purposes set out in Regulation 18B(2), *i.e.*, for investment in Russia.

This now specifically encompasses entities that are not connected with Russia, which were not previously captured. No specific exceptions are provided.

¹ 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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Loans and Credit

The new Regulation 17(2A) prohibits making funds or economic resources available to a relevant entity (an entity which is not a person connected with Russia) where the purpose of making those funds or economic resources available is to enable the relevant entity to grant a relevant loan on or after 16 December 2022. Relevant loans include the previous categories 1 to 5 loans, as well as a new category 6 loan, which is defined as loans or credit made or granted to:

- i. a relevant entity (an entity that is not a person connected with Russia),
- ii. for the purposes of an activity mentioned in Regulation 18B(2), *i.e.*, for investment in Russia,
- iii. which is first made or granted at any time on or after 16 December 2022, and
- iv. which is not a category 1 to 5 loan.

This new prohibition appears to mirror the UK's asset freeze language, although it notably omits reference to "direct or indirect" making of funds or economic resources available. It also expands the prohibitions to specifically cover entities that are not connected with Russia.

There is an exception for category 6 loans where they consist of a drawdown or disbursement made under an arrangement entered into before 16 December 2022, provided:

- i. all terms and conditions of the drawdown or disbursement were agreed prior to 16 December 2022,
- ii. the terms and conditions were not modified on or after that date, and
- iii. a contractual maturity date has been fixed for repayment in full of all funds made available and for the cancellation of all the rights and obligations under the arrangement.

Trust Services

The new Regulations bring into force the long-awaited trust services prohibitions. Regulation 18C prohibits persons from providing trust services to or for the benefit of a person that is designated specifically for the purpose of this prohibition.²

It is also prohibited to provide trust services to or for the benefit of a person connected with Russia unless this is under an ongoing arrangement pursuant to which those services were provided immediately prior to 16 December 2022.

² The UK has not yet designated any persons specifically for the purpose of this prohibition.

Trust services are provided for the benefit of a person where:

- i. they are a beneficiary of a trust or similar arrangement,
- ii. they are referred to as a potential beneficiary in a document from the settlor relating to a trust or similar arrangement (such as a letter of wishes), or
- iii. having regard to all the circumstances, that person might reasonably be expected to obtain, or to be able to obtain, a significant financial benefit from the trust or similar arrangement.

Trust services are defined as:

- i. the creation of a trust or similar arrangement;
- ii. the provision of a registered office, business address, correspondence address or administrative address for a trust or similar arrangement,
- iii. the operation or management of a trust or similar arrangement, or
- iv. acting or arranging for another person to act as trustee of a trust or similar arrangement, where "trustee", in relation to an arrangement similar to a trust, means a person who holds an equivalent or similar position to a trustee of a trust.

This new prohibition effectively prohibits all new trust services to persons connected with Russia. It also introduces the specific designation of persons, so companies should check the Office of Financial Sanctions Implementation's [Consolidated List](#) carefully to see which specific persons have been designated under this prohibition.

There are exceptions available for: (i) the discharge of or compliance with UK statutory or regulatory obligations, (ii) acts done in compliance with prohibitions and obligations of asset freeze restrictions, and (iii) acts in connection with transferable securities or money-market instruments where dealing with such securities or instruments is not prohibited by Regulation 16 or 18B.

There are also a number of limited exceptions for specific types of trusts, including in certain circumstances for those under the age of 18; for those who lack mental capacity; for charitable services; for registered pension schemes; and others. The exceptions are set out fully in Regulation 60ZZB and should be reviewed carefully, as they only apply in specific scenarios; for example, where the trust services are not provided primarily to, or for the benefit of, a designated person or a person connected with Russia.

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Specific licences may also be sought in limited circumstances, including with respect to unauthorised trust units.

Professional Services

The new Regulations expand the existing professional and business services restrictions to prohibit the provision, directly or indirectly, of auditing, advertising, architectural, engineering, and IT consultancy and design services to persons connected with Russia.³ The legal services prohibition has not yet been included in this list.

A new Schedule 3J has been inserted into the 2019 Regulations, which defines all of the above services, referencing the United Nations [Central Product Classification Codes](#).

Auditing services, however, are defined as services consisting of examination of the accounting records and other supporting evidence of an organisation for the purpose of expressing an opinion as to whether financial statements of the organisation present fairly its position as at a given date, and the results of its operations for the period ending on that date, in accordance with generally accepted accounting principles.

[Guidance issued by the UK](#) notes that the prohibition includes the cross-border supply of services by a UK services provider to another company incorporated under Russian law and the provision of services to Russian residents who are temporarily located in another country, including the UK.

The guidance also notes that a licence may be granted for advertising, architectural, engineering, and IT consultancy and design services: (i) for services required by non-Russian business customers in order to divest from Russia, or to wind down other business operations in Russia; or (ii) for services to a person connected with Russia by a UK parent company or UK subsidiary of that parent company, *inter alia*.

³ “Persons connected with Russia” are defined as:

- an individual who is, or an association or combination of individuals who are, ordinarily resident in Russia,
- an individual who is, or an association or combination of individuals who are, located in Russia,
- a person, other than an individual, which is incorporated or constituted under the law of Russia, or
- a person, other than an individual, which is domiciled in Russia.

The guidance does not refer to a license of that second sort (for services to a person connected with Russia by a UK parent company or UK subsidiary) for auditing services, although it does state that a licence may be granted for divestment/wind-down purposes.

Specific exceptions for engineering services include where these are provided in relation to the discharge of or compliance with UK statutory or regulatory obligations.

There are also specific exceptions for advertising services, architectural services, engineering services or IT consultancy and design services, where these are in satisfaction of prior contract obligations, *i.e.*, contracts concluded before 16 December 2022, or ancillary contracts necessary for the satisfaction of such a contract. In those cases, the act must be carried out before 15 March 2023, and the Secretary of State must be notified.

The specific exceptions for auditing services are set out in detail at Regulation 60DA(3) and (5).

Specific exceptions in relation to IT consultancy and design services relate to the provision of an electronic communications network or an electronic communications service that is used for civilian purposes, or services that are incidental to the exchange of communications over the internet, including instant messaging, videoconferencing, chat and email, social networking, sharing of photos, audio, videos, films or documents, web browsing, blogging, web hosting and domain name registration services.

Reporting

The new Regulations explicitly include trust services in the definition of “relevant firms” and therefore they are also subject to reporting requirements.

Trade Sanctions

The new Regulations also provide several amendments and additions to the existing lists of goods, including Schedules 2A, 3C and Schedule 4. Companies should ensure they check these lists carefully to ensure they remain in compliance.