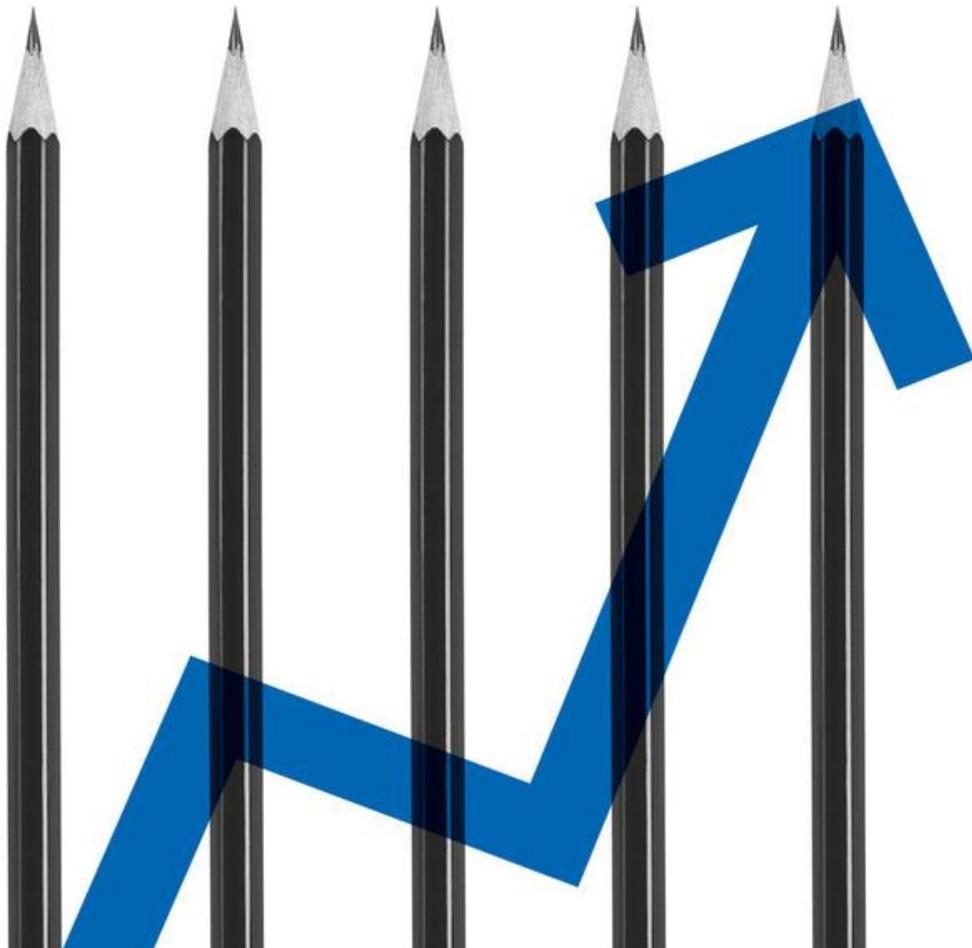


Keeping you up to speed
Russia and Belarus sanctions update

28 March 2022



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Introduction

Following the invasion of Ukraine by Russia, the UK, EU and US have all responded by announcing significant sanctions in respect of Russia and Belarus.

This briefing summarises the key developments since 17 March 2022 and supplements our previous briefings on:

- [23 February 2022](#)
- [24 February 2022](#)
- [28 February 2022](#)
- [3 March 2022](#)
- [9 March 2022](#)
- [10 March 2022](#)
- [17 March 2022](#)

The intention for further restrictions is being communicated by the EU, UK and US on almost a daily basis and it is important to keep up to date with the legal position as and when restrictions are set out in law.



United Kingdom

The UK government has announced the following:

Asset Freezes

On 24 March 2022 further asset freezes were announced in respect of 59 individuals and entities. The designated targets individuals and entities believed to be aiding Russia's invasion of Ukraine including the Wagner Group, multiple defence companies and politicians and oligarchs.

The UK has now sanctioned over 1,000 individuals and businesses under the Russia sanctions regime since the invasion.

Accordingly, all funds and economic resources belonging to, owned, held or controlled by the Designated Persons are frozen (meaning it is prohibited for UK persons to deal with (among other things), directly or indirectly, such funds or economic resources) and it is also prohibited for UK persons to make funds or economic resources available, directly or indirectly, to or for the benefit of the Designated Persons. Under UK law, these restrictions also apply to entities which are owned more than 50%, or controlled by, the Designated Persons.

Prominent entities that have been designated include:

- Alfa-Bank JSC
- Alrosa
- Gazprombank
- Rushydro
- Russian Agricultural Bank
- Russian Railways
- SMP Bank
- Sovcomflot



General Licences - Russia

General Licence INT/2022/1381276

On 22 March 2022 OFSI amended general licence [INT/2022/1381276](#) in relation to wind down derivatives, repurchase, and reverse repurchase transactions with the Central Bank of the Russian Federation ("**CBR**"), National Wealth Fund of the Russian Federation ("**NWF**") and Ministry of Finance of the Russian Federation ("**MF**").

OFSI has clarified that under this General Licence, a Person may provide financial services for the purposes of winding down any derivatives, repurchase, and reverse repurchase transactions entered into prior to 1 March 2022 with the CBR, the NWF or the MF *or those persons set out in regulation 18A d to e of the Russia Regulations* (i.e. a person owned or controlled directly or indirectly by them or acting on behalf of or at the direction of (i.e. of them)). A Person or Relevant Institution can carry out any activity reasonably necessary to effect this.

The General Licence expires on 2 May 2022.

General Licence INT/2022/1424276

On 24 March 2022 OFSI also issued general licence [INT/2022/1424276](#) in relation to the wind down of positions involving the following designated banks (each a "**Designated Person**"):

- Alfa Bank JSC
- GazPromBank
- Rosselkhozbank
- SMP Bank
- Ural Bank for Reconstruction and Development

A Subsidiary means any entity owned or controlled by any of the above Designated Persons.

The General Licence permits a Person (other than a Designated Persons or a Subsidiary) to wind down any transactions to which it is party, involving Designated Persons or a Subsidiary, including the closing out of positions. A Person, Relevant Institution, or the DPs or a Subsidiary can carry out any activity reasonably necessary to effect this.



This General Licence takes effect on 24 March 2022 and expires on 23 April 2022.

General Licence INT/2022/1438977

On 28 March 2022 OFSI issued general licence [INT/2022/1438977](#) which permits the continuation of business and basic needs of GEFCO UK subsidiaries. GEFCO is a joint venture owned by Russian Railways and Stellantis (the “**Joint Venture**”). Russian Railways has been subject to an asset freeze in the UK as of 24 March 2022.

This General Licence authorises a Person to continue business operations involving the Joint Venture or its Subsidiaries including, but not limited to:

- Payments to or from the Joint Venture or its Subsidiaries under any obligations or contracts;
- Payments to or from any third party necessary to the continuation of any obligations or contracts.

A Subsidiary is any entity owned or controlled by Russian Railways, including:

- GEFCO UK Ltd
- GEFCO Forwarding UK
- Auto XP Limited
- XP Tech Limited

This General Licence takes effect from 25 March 2022 and expires on 23 May 2022.

OFSI updates guidance on aggregation

On 23 March 2022, OFSI updated its [general guidance](#) in respect of aggregation, in the context of ownership and control, by persons subject to sanctions. Whilst we understand that this was issued specifically to address queries in respect of the Russia sanctions, it does not appear to be specific to this regime.

OFSI has clarified that when making an assessment on ownership and control, it will not aggregate different designated persons’ holdings in a company.



The exception to this is where, for example, the shares or rights are subject to a joint arrangement between the designated parties or one party controls the rights of another. Consequently, if each of the designated person's holdings falls below the 50% threshold in respect of share ownership and there is no evidence of a joint arrangement or that the shares are held jointly, the company would not be directly or indirectly owned by a designated person.

The guidance is not clear as to the application of aggregation in respect of control. The UK guidance notes that separate from aggregation of shareholding considerations, the tests in respect of ownership and control as they relate to (1) voting rights (2) the right to appoint or remove a majority of the board or (3) conducting the affairs in accordance with a designated persons wishes, will still apply.

However the guidance is silent as to aggregation in respect of the above.

Sanctions against Belarus

On 24 March 2022 the UK government announced asset freezes against 6 Belarussian entities:

- Bank Dabrabyt Joint Stock Company
- CJSC Belbizneslizing
- Industrial-Commercial Private Unitary Enterprise Minotor-Service
- JSC TransAVIAexport Airlines
- Limited Liability Company Belinvest-Engineering
- OJSC KB Radar-Managing Company Holding Radar System

General Licence - Belarus

On Thursday 24 March 2022 OFSI issued [General Licence INT/2022/1424277](#) which allows the wind down of positions involving Bank Dabrabyt Joint Stock Company ("**Designated Person**").

The General Licence authorises a Person (other than a Designated Persons or a Subsidiary) to wind down any transactions to which it is party, involving Designated Persons or a Subsidiary, including the closing out of positions. A Person, Relevant Institution, or the DPs or a Subsidiary can carry out any activity reasonably necessary to effect this.



A Subsidiary means any entity owned or controlled by the Designated Person.

This licence also takes effect on 24 March 2022 and expires at 23:59 on 23 April 2022.



European Union

The European Council has issued a series of [FAQs](#) in relation to Russia sanctions. However we would note that it does not specify whether the principles in respect of aggregation are limited to the Russia sanctions.

These cover a wide range of topics including:

- General;
- Assets freeze and prohibition to provide funds or economic resources;
- Central banks;
- Circumvention and due diligence;
- Crypto assets;
- Deposits;
- Euro-denominated banknotes and securities;
- Trading;
- Refinancing restrictions;
- Export-related restrictions, luxury goods and customs related matters;
- Insurance and reinsurance;
- SWIFT;
- Intellectual property rights;
- Restrictions on Russian State-owned media; and
- Aviation

The FAQs in respect of assets freeze and prohibition to provide funds or economic resources includes responses in relation to aggregation. In summary, the EU now considers that both ownership and control



should be aggregated. In respect of joint control, we would note the following principles outlined in the FAQs:

- Where joint control is established, it can be presumed that all assets of that entity are controlled by the designated persons unless it can be shown that specific assets are not so controlled;
- Where joint control over a group of companies as a whole is determined, then all subsidiaries in the group will be impacted; and
- Where joint control is determined over a single group entity, only the subsidiaries of that entity are impacted, as opposed to companies in the wider group.



United States

On March 11, 2022, President Biden had issued the [Executive Order Prohibiting Certain Imports, Exports, and New Investment with Respect to Continued Russian Federation Aggression, prohibiting the export of luxury goods from the US or by US persons to Russia](#). On March 16, 2022, the Bureau of Industry and Security of the US Department of Commerce (“BIS”) published in the Federal Register a [final rule](#), with an effective date of March 11, 2022, adding a new § 746.10 (‘Luxury goods’ sanctions against Russia and Belarus and Russian and Belarusian Oligarchs and Malign Actors), prohibiting exports, re-exports, and transfers (in-country) of “luxury goods” to Belarus and Russia, as well as to designated Russian and Belarusian oligarchs and “malign actors,” wherever located. The items listed in the final rule are very broad, and span beyond what are generally thought of as “luxury goods.”

The following are among the items listed on [Supplement No. 5 to 15 CFR Part 746](#) as “luxury goods”:

Alcoholic beverages including: <ul style="list-style-type: none"> - Beer - Sparkling wine - Wine - Brandy - Whisky - Rum - Gin - Vodka - Tequila 	Tobacco, tobacco products, tobacco refuse, chewing tobacco	Nicotine products	Jewelry including: <ul style="list-style-type: none"> - Pearls - Diamonds - Rubies - Sapphires - Emeralds - Silver - Gold
Make-up	Suitcases	Carpets	Tents
Perfumes and “toilet waters”	Handbags	Ski Suits and boots valued at \$1,000 per whole sale price in the US	Sails



Silk, silk waste, silkworm cocoons, silk clothes	Fur	Swimwear valued at \$1,000 per whole sale price in the US	Camping goods
Clothes and footwear valued at \$1,000 per whole sale price in the US	Artificial Fur	Scarves, handkerchiefs valued at \$1,000 per whole sale price in the US	Lifejackets
Bird skins and parts	Sports equipment	Blankets	Lifebelts
Porcelain, china, tableware, kitchenware, glassware	Yacht parts	Vehicles	Ivory and articles of ivory
Grand pianos	Artist brushes	Paintings, sculpture, statues, and mosaics of an age exceeding 100 years	Animal bones, horns etc.
Powder puffs and pads to apply cosmetics, toilet prep	Fountain pens	Molder or carved articles of wax	Wrist watches, watch bands, watch cases

The only license exceptions for the export, re-export, or transfer of luxury goods to Russia and Belarus are for (1) personal baggage of individuals and crew members, and (2) US civil aircraft for temporary sojourn abroad. There is no license exception for the export, re-export, or transfer of luxury goods to the designated Russian and Belarusian oligarchs and “malign actors.” BIS has a policy of denial for license applications.

On March 18, 2022, BIS published a [press release](#) with identifying information for publicly identified commercial and private aircraft that have flown into Russia in apparent violation of US export controls, notifying the public that any person anywhere risks violating US export controls and being subject to BIS enforcement actions which could include substantial jail time, fines, loss of export privileges, or other restrictions, if they provide any form of service to these aircraft without authorization from BIS.

Also on March 18, 2022, the Office of Foreign Assets Control of the US Department of the Treasury (“**OFAC**”) issued new General License 24, authorizing transactions related to the provision or receipt of



civil maritime services performed by individuals resident in the Donetsk People’s Republic (“**DNR**”) or Luhansk People’s Republic (“**LNR**”), or any other region to be determined at a later time (collectively, the “Covered Regions”), as long as the services are not performed in the Covered Regions or not on behalf of an entity located in or organized under the laws of the Covered Regions.

On March 24, 2022, OFAC –

- Added the Russian Duma and 328 members of it, 48 Russian companies in Russia’s defense sector, and Sberbank’s CEO to the Specially Designated Nationals and Blocked Persons List (“**SDN List**”) in an effort to “stri[k]e at the heart of Russia’s ability to finance and carry out its warfare and atrocities against Ukraine.”¹ Among the newly designated companies are as follows:
 - Tactical Missiles Corporation JSC (“**KTRV**”), 28 of KTRV’s affiliates, and the General Director of KTRV;
 - JSC NPO High Precision Systems (High Precision Systems)
 - NPK Tekhmash OAO (Tekhmash)
 - Joint Stock Company Russian Helicopters (Russian Helicopters) and 15 companies owned or controlled by Russian Helicopters
 - Joint Stock Company Kronshtadt (Kronshtadt)
- Amended –
 - Russia-related [General License 6A](#), extending the authorization for transactions related to agricultural and medical commodities and the COVID-19 pandemic to ongoing clinical trials and other medical research activities that were in effect prior to March 24, 2022.
 - Russia-related [General License 17A](#) extends the wind-down deadline for transactions related to imports of Russian seafood pursuant to written contracts entered into prior to March 11, 2022 through 12:01 am EDT June 23, 2022.
- Issued –

¹ “U.S. Treasury Sanctions Russia’s Defense-Industrial Base, the Russian Duma and Its Members, and Sberbank CEO” OFAC (Mar. 24, 2022), <https://home.treasury.gov/news/press-releases/jy0677>.



- Russia-related [General License 20](#), authorizing US persons to engage in transactions ordinarily incident and necessary to the official business of third-country diplomatic or consular missions in Russia.
- Ukraine-/Russia- related [General License 25](#), authorizing US person news reporting organizations and individuals regularly employed by a news reporting organization, either as journalists (including photojournalists) or as supporting broadcast or technical personnel, to engage in certain transactions in the Crimea region of Ukraine, the so-called DNR or LNR regions of Ukraine, or any other region to be determined at a later time (collectively, the "Covered Regions"), to the extent such transactions are ordinarily incident and necessary to their journalistic activities in the Covered Regions.

- Issued -

- New [FAQ #1,029](#) about the impact of the new Russia sanctions on gold-related transactions, clarifying that (1) non-US persons face secondary sanctions enforcement risk if (i) they directly or indirectly aid circumvent US sanctions; (ii) operate in the Russian financial services sector; or (iii) materially assist sanctioned persons, including through the use of gold or other precious metals; and (2) US persons are prohibited from engaging in or facilitating gold-related transactions involving blocked persons, the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, the Ministry of Finance of the Russian Federation, as well as Sberbank and its affiliates subject to Directive 2 under Executive Order 14024.
- Amended [FAQ #1,023](#), which reflects the extension of the seafood import deadline through June 23, 2022
- Amended [FAQ #1,024](#), which reflects the extension of the seafood import deadline through June 23, 2022

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