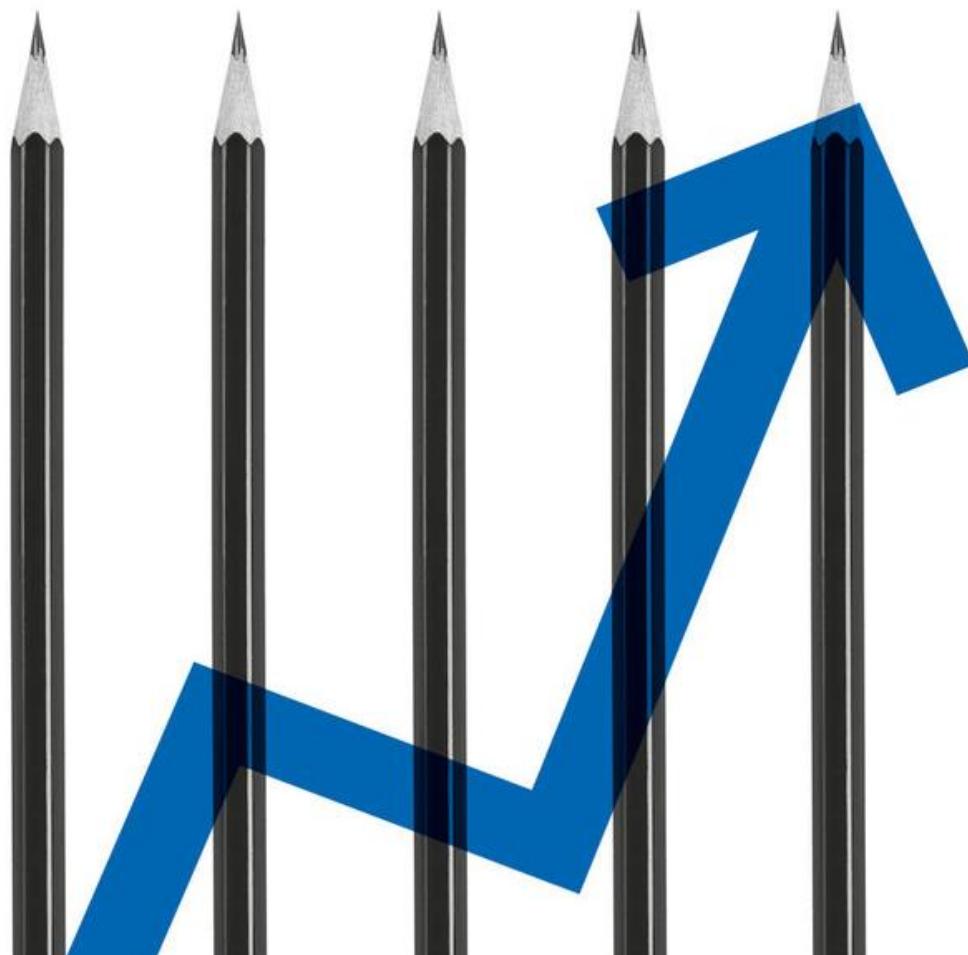


Keeping you up to speed
Russian and Belarus sanctions update

8 June 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 19 May 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**](#)
- [**28 March 2022**](#)
- [**6 April 2022**](#)
- [**12 April 2022**](#)
- [**25 April 2022**](#)
- [**19 May 2022**](#)



United Kingdom

General Licences

General Licence INT/2022/1839676

On 23 May 2022, OFSI issued General Licence [INT/2022/1839676](#) under Regulation 64 of the Russia (Sanctions) (EU Exit) Regulations 2019. This followed the designation of JSC Rossiya Airlines, JSC Ural Airlines and PJSC Aeroflot (the “**Russian Airlines**”) on 19 May 2022 (see our briefing of 19 May 2022).

Under General Licence INT/2022/1839676, UK persons may purchase tickets for flights or rail journeys originating in, or within, Russia from the Russian Airlines, Russian Railways or any of their subsidiaries that provide rail or air passenger services. The general licence also authorises any UK person, Russian Railways or the Russian Airlines to carry out any activity reasonably necessary to effect the purchase of tickets for flights or rail journeys in accordance with the licence.

The licence took effect on 23 May 2022 and expires on 23 May 2023.

General Licence INT/2022/1834876

On 30 May 2022, OFSI issued General Licence [INT/2022/1834876](#) which authorises an Interim Manager and/or trustee (appointed by the Charity Commission) of a charity linked to a designated person/entity to:

- authorise payments for the basic needs of the charity;
- authorise payments for reasonable fees or reasonable service charges arising from the routine holding and maintenance of the charity’s frozen funds/economic resources;
- authorise payment of reasonable professional fees or expenses associated with the provision of those services and Interim Manager remuneration as authorised by the Charity Commission for England and Wales;
- authorise the payment of charitable funds, investments and dispersing of the charity’s funds;
- accept receipt of funds into the charity; and
- authorise, make, receive or process any payments in connection with the winding up of a charity either as authorised by the Charity Commission Order appointing the Interim Manager, subsequent order under section 84B of the Charities Act 2011 or the dissolution provisions within the charity’s governing document.



This licence takes effect from 30th May 2022 and expires on 30th May 2023.

General Licence INT/2022/1875276

On 30 May 2022 OFSI also issued General Licence [INT/2022/1875276](#) which allows any persons (other than a designated person) to continue business operations involving the provision of Civilian Telecommunication Services (which does not include any news media services) including, but not limited to:

- payments to and from ZAO TransTeleCom Company;
- any necessary payments to or from a third party (non-designated) necessary to the continuation of contracts or obligations between a person and ZAO TransTeleCom Company. This includes payments to, from or via a designated credit or financial institution; and
- any activity reasonably necessary to effect the receipt or provision of Civilian Telecommunications Services from ZAO TransTeleCom Company.

The licence also permits business operations related to News Media Services to continue subject to certain conditions.

The licence takes effect from 30 May 2022 and expires on 30 May 2024.



European Union

EU 6th package of sanctions – Russia

On 3 June 2022 the EU issued the following sanctions regarding Russia:

[Council Implementing Regulation \(EU\) 2022/878 amending Regulation No 269/2014](#)

This regulation imposes additional asset freezes against a number of individuals and entities ("Designated Persons"), including:

- individuals within the Russian military;
- family members of individuals connected to the Russian Government and/or prominent Russian businessmen;
- members of the "Salvation Committee for Peace and Order" in Kherson;
- individuals working within Russian state-owned media;
- Arkady Yurievich Volozh – founder and CEO of Yandex (largest internet company in Russia);
- JSC Garnizon – a holding company subordinate to the Ministry of Defence of the Russian Federation;
- a series of companies that supply goods or services to the Russian military;
- Independent Insurance Group – an insurer of Russian defence industry companies;
- JSC Sukhoi – a Russian aircraft manufacturer; and
- National Settlement Depository - a Russian non-bank financial institution and Russia's central securities depository.

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

[Council Regulation \(EU\) 2022/880 amending Regulation No 269/2014](#)



Council Regulation 2022/880 brings into effect an amendment (via article 6c) which states that asset freezes under article 2 shall not apply to funds or economic resources that are strictly necessary for the provision of electronic communication services by Union telecommunication operators for the provision of services in the EU, Russia, Ukraine and between the Union and Russia or Ukraine.

In addition, article 15 requires Member States to lay down rules on penalties for non-compliance with Regulation 269/2014. This has now been amended to state that such penalties should include "as appropriate criminal penalties". The amended regulation also goes on to state that Member States "shall also provide for appropriate measures of confiscation of the proceeds of such infringements"; and

[Council Regulation \(EU\) 2022/879 amending Regulation No 833/2014](#)

Council Regulation 2022/879 brings about a number of significant amendments, including:

- **new article 3m** which prohibits the purchase, import or transfer, directly or indirectly, of crude oil or petroleum products as listed in Annex XXV, if such products originate in Russia or are exported from Russia. There are various derogations and grandfathering provisions in respect of this – in particular, this prohibition does not apply:
 - o until 5 December 2022, to one-off transactions for near-term delivery, concluded and executed before that date, or to the execution of contracts for the purchase, import or transfer of goods falling under CN 2709 00 concluded before 24 June 2022 (subject to notification requirements);
 - o until 5 February 2023. to one-off transactions for near-term delivery, concluded and executed before this date, or to the execution of contracts for the purchase, import or transfer of goods falling under CN 2710 concluded before 4 June 2022 (subject to notification requirements);
 - o to the purchase, import or transfer of seaborne crude oil and of petroleum products listed in Annex XXV where those goods originate in a third country and are only being loaded in, departing from, or transiting through, Russia; and
 - o to crude oil falling under CN 2709 00 which is delivered by pipeline from Russia into Member States (subject to a prohibition on the transfer or transport of such crude oil delivered by pipeline to other Member States or third countries).
- **new article 3n** which prohibits the provision, directly or indirectly, of technical assistance, brokering services or financing or financial assistance, related to the transport, including through ship-to-ship



transfers, to third countries of crude oil or petroleum products as listed in Annex XXV which originate in Russia or which have been exported from Russia. This prohibition does not apply to:

- the execution until 5 December 2022 of contracts concluded before 4 June 2022, or of ancillary contracts necessary for the execution of such contracts; and
 - the transport of crude oil or petroleum products as listed in Annex XXI where those goods originate in a third country and are only being loaded in, departing from or transiting through Russia.
- **an amendment to article 2f** which prohibits EU persons from advertising products or services in any content produced or broadcast by persons/entities listed in Annex XV;
- **an amendment to article 5aa** – this restriction prohibits an EU person from directly or indirectly “engaging in any transaction with: (a) a person, entity or body listed in Annex XIX (“**Annex XIX Entity**”); (b) any non-EU subsidiary owned (directly or indirectly) more than 50% by an Annex XIX Entity; and (c) any entity acting on behalf of, or at the direction of, any entity in (a) or (b)”. This restriction has been amended to now include a number of additional exemptions:
- article 5aa(2a) - the prohibition does not apply “to the reception of payments due by [the Annex XIX Entities] pursuant to contracts performed before 15 May 2022;
 - article 5aa(3)(d) – the prohibition does not apply to “transactions, including sales” which are strictly necessary for the wind-down, by 5 September 2022, of a joint venture or similar legal arrangement concluded before 16 March 2022” involving an Annex XIX Entity;
 - article 5aa(3)(e) – the prohibition does not apply to “transactions relate dot the provision of electronic communication services, data center services and the provision of services and equipment necessary for their operation, maintenance, security, including the provision of firewalls and call center services, to” an Annex XIX Entity
- **an amendment to article 5c** which provides for certain derogations from the EUR 100,000 Russian national deposit restriction in article 5b. Article 5c now allows (in addition to the existing derogations) for competent authorities to authorise the acceptance of a deposit, or the provision of wallet, account or custody services, where such deposit or services is “intended exclusively for the payment of fees or service charges from the routine holding or maintenance of frozen funds or economic resources”;



- **an amendment to article 5f** (which prohibits EU persons from selling transferable securities, issued after 12 April 2022, denominated in any official currency of an EU Member State to any Russian national, Russian resident or entity/body established in Russia) – the amendment extends the exemption to include nationals of a Member State, a country member of the EEA or of Switzerland as well as to natural persons having temporary or permanent residence permit in any such country;
- **an amendment to article 5h** which prohibits EU persons from providing specialised financial message services (such as SWIFT) to Sberbank, Credit Bank of Moscow and JSC Russian Agricultural Bank (JSC Rosselkhozbank);
- **an amendment to article 5m** – this article introduced new restrictions in respect of trust structures (see our briefing of 12 April 2022). This has now been amended as follows:
 - It is prohibited to act as, or arrange for another person to act as a trustee, nominee shareholder, director, secretary or similar position for a trust or similar structure as defined in article 5m(1). This prohibition is now stated to take effect from 5 July 2022 (having originally been stated to be 10 May 2022) with the preamble to Council Regulation 2022/879 stating this extension is to ensure the smooth implementation of the restriction;
 - exemptions are updated to take into account this new date of 5 July 2022; and
 - additional derogation grounds have been added
- **new article 5n** – prohibits EU persons from providing, directly or indirectly, accounting, auditing, including statutory audit, bookkeeping or tax consulting services, or business and management or public relations services to:
 - the Government of Russia; and
 - legal persons, entities or bodies established in Russia.

This new restriction is subject to a number of exemptions and derogations, including a wind down period which enables EU persons to terminate (by 5 July 2022) contracts concluded before 4 June 2022.

- **a series of minor miscellaneous amendments** to existing provisions to reflect the impact of new restrictions (namely articles 3m and 3n) which have been imposed and **updated annexes**.



EU sanctions – Belarus

On 3 June 2022 the EU issued the following sanctions regarding Belarus:

Council Implementing Regulation (EU) 2022/876

This regulation imposes additional asset freezes ("Sanctioned Persons") against a number of individuals connected with the Belarusian Government, individuals holding senior positions within a number of Belarusian energy companies, individuals working with the Belarusian media and individuals working within the Belarusian criminal system, including judges and the Head of the Main Department for Combating Organised Crime and Corruption in Belarus.

In addition, the following entities have been made subject to an asset freeze:

- OJSC Belaruskali – a state owned enterprise and one of the biggest potash producers in the world;
- JSC Beklarusian Potash Company – the exporting arm of Belaruskali;
- Inter Tabacco LLC;
- OJSC Naftan – a state owned enterprise which provides a major source of revenue for the Belarusian Government;
- OJSC Grodno Tobacco Factory Neman;
- Beltamozhservice - a large state owned logistics company;
- OJSC Managing Company of Holding Belkommunmash – a Belarusian manufacturer of public transport vehicles; and
- Belteleradio Company/National State Television and Radio Company of the Republic of Belarus.

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

Council Regulation (EU) 2022/877 amending Council Regulation (EC) No 765/2006



This Council Regulation makes the following amendments:

- Article 1zb – Belinvestbank (Belarusian Bank for Development and Reconstruction) and its 50% or more owned Belarusian subsidiaries has been added to the prohibition on the provision of specialised financial messaging services which are used to exchange financial data (for example SWIFT);
- Article 9 requires Member States to lay down rules on penalties for non-compliance with Regulation 765/2006. This has now been amended to state that such penalties should include “as appropriate criminal penalties”. The amended regulation also goes on to state that Member States “shall also provide for appropriate measures of confiscation of the proceeds of such infringements”; and
- Annex V – this annex relates to entities referred to in articles 1e(7), 1f(7) and 1fa(1) which limit the scope of authorisations competent authorities can grant for certain export restrictions. The list of entities subject to these limitations has been expanded.



United States

On May 24, 2022, OFAC announced that it would not renew the provisions of GL-9C that expired on May 25, 2022, at 12:01 am EDT, which authorized transactions ordinarily incident and necessary to:

- dealings in (including facilitating, clearing, and settling trades for) debt and equity of the Russian Financial Entities issued prior to February 24, 2022, provided that any divestment or transfer of, or facilitation of divestment or transfer of, covered debt or equity must be to a non-US person;
- the receipt of interest, dividend, or maturity payments in connection with debt or equity of Directive 4 entities issued before March 1, 2022.

On May 25, 2022, OFAC issued [GL 13A](#), which replaces GL 13 and extends to September 30, 2022, OFAC's authorization for US 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, provided such transactions are ordinarily incident and necessary to such persons' day-to-day operations in the Russian Federation.

On June 2, 2022, OFAC:

- issued:
 - [GL 25B](#), adding Limited Liability Company Algoritm to the list of entities with which any transactions are expressly not authorized;
 - [GL 36](#), authorizing through 12:01 am EDT, August 31, 2022, transactions that are ordinarily incident and necessary to the wind down of transactions involving Public Joint Stock Company Severstal or any entity in which Public Joint Stock Company Severstal owns, directly or indirectly, a 50 percent or greater interest, provided that any payment to Public Joint Stock Company Severstal or any other blocked person must be made into a blocked account;
 - [GL 37](#), authorizing through 12:01 am EDT, July 1, 2022, transactions that are ordinarily incident and necessary to the wind down of transactions involving Nord Gold PLC or any entity in which Nord Gold PLC owns, directly or indirectly, a 50 percent or greater interest, provided that any payment to Nord Gold PLC or any other blocked person must be made into a blocked account;
 - [GL 38](#), authorizing transactions ordinarily incident and necessary to the processing of pension payments to US persons that are prohibited by Executive Order 14024, provided that the only involvement of blocked persons is the processing of funds by blocked financial institutions.



- added individuals and entities, including **Sergei Pavlovich Roldugin**, ally to, and custodian of the offshore wealth of, President Putin, and various Russian government officials, and yachts and aircraft in which Russian elites maintain interests to the SDN List.

Also on June 6, BIS:

- issued a final rule that, in part:
 - removes the licensing exclusion pertaining to food or medicine designated at EAR99 destined to Russian and Belarusian “military end uses” and “military end users and provides that license applications for food and medicine designated as EAR99 destined for Russian and Belarusian “military end uses” and “military end users” will be reviewed under a case-by-case license review policy;
 - removes the license exclusion for food and medicine designated as EAR 99 for 146 footnote 3-designated entities on the Entity List, thereby extending the applicable license requirement to all items subject to the EAR and provides the applicable license application review policy for 143¹ of the 146 footnote 3-designated entities will be a policy of denial, except for food and medicine designated as EAR99, which will be reviewed under a case-by-case review policy; and
- added 71 entities to the Entity List under the designations “Russia” and “Belarus” for acquiring and attempting to acquire US-origin items in support of Russia’s military and contrary to US national security and foreign policy interests, 66 of which are designated with footnote 3.

¹ The three exceptions to the case-by-case review policy for food and medicine designated as EAR99, all under the designation of Russia, are the Foreign Intelligence Service (“SVR”), the Federal Security Service (“FSB”), and the Main Intelligence Directorate, which are now subject to a review policy of denial.



Switzerland

Implementation of the 6th EU sanction package

Switzerland has implemented the 5th EU sanction package (and those issued earlier) and it is expected that the Swiss government will also implement the 6th package in due course.

The prohibition on the purchase, import or transfer of certain crude oil or petroleum products that originate or are exported from Russia (subject to exemptions) will of course impact the Swiss commodity market. The same applies to the prohibition on technical assistance, brokering services, financing or financial assistance (including (re)insurance services) related to such products. So far, Switzerland has implemented all commodity related sanctions without any carve-out.

Insufficient search for assets of sanctioned persons?

So far, Swiss banks and land registers have frozen assets with a value of CHF 6.3 billion against EUR 29.5 billion (the lion share in France) in the European Union and USD 2 billion in the United States.

Nevertheless, Switzerland has been criticized for leaving the search for sanctioned persons' assets to Swiss banks and land registers [even though examinations have been carried out by, amongst others, tax administrations]. Swiss parliament is now discussing measures such as creating a "*governmental task force*" that would actively search for such assets.

Stand-alone sanctions beyond the EU (or US) sanctions?

The Swiss Embargo Act lacks a clear provision allowing the Swiss government to issue sanction measures going beyond those adopted either by the Security Council of the United Nations, the Organisation for Security and Cooperation in Europe or by Switzerland's most significant trading partners, namely the European Union.

The Swiss parliament is currently discussing an amendment that aims to remedy this. The sponsors of this amendment argue that Switzerland should be able to issue stand-alone measures against the Swiss-based trade and trade finance industry, including measures that are more stringent than those imposed by the European Union. The same applies to sanctioned persons and entities.

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