

ECONOMIC AND FINANCIAL SANCTIONS AGAINST RUSSIA IMPOSED BY THE US, UK, EU, AND SWITZERLAND IN RELATION TO THE RUSSIA - UKRAINE CONFLICT

This is our second update to keep our clients informed as we monitor the rapidly changing security situation in Ukraine. As described in our earlier sanctions circular, we believe we are uniquely placed to assist our clients in this current fast-moving situation with our teams of international lawyers based in USA, UK and EU. We have experience and expertise to assist all our clients' requirements.



As the conflict develops, more expansive sanctions have been released and with them, severe economic consequences. We summarise the latest position below which updates our previous circular. We expect further, more severe sanctions to be imposed in the coming days and we will keep our clients updated.

| UNITED STATES OF AMERICA

On 21 February 2022, the United States signed an executive order which imposed economic sanctions against two Russia-backed breakaway republics in eastern Ukraine. The Order (i) prohibited new investment, trade and financing by a United States person, wherever located, in the so-called Donetsk People's Republic (DNR) or Luhansk People's Republic (LNR) regions of Ukraine; and (ii) imposed restrictions on the disposal of properties or interests in property of certain persons who have property in the United States or controlled by a United States person. These persons include any person determined to operate or who has operated in the DNR or LNR and any leader, official or board member of an entity operating in the DNR or LNR. It also includes persons who have materially assisted, sponsored, or provided any form of support to any person whose property and interests have been blocked.

On 22 February 2022, the United States took additional action under the February 21 executive order and added more Russian individuals and entities to the OFAC Specially Designated Nationals (SDN) list. The individuals added to the SDN list are: Denis Aleksandrovich Bortnikov, Petr Mikhailovich Fradkov, and Vladimir Sergeevich Kiriyenko – all of whom are Kremlin-connected elites. Financial sanctions were also intended to be imposed against two key Russian financial institutions, the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company (PSB), along with 42 of their subsidiaries.

The VEB, PSB, and their subsidiaries can no longer do business in the US and are cut off from the US financial system.

There were also non-SDN, menu-based sanctions added against the Central Bank of the Russian Federation, the Ministry of Finance of the Russian Federation, and the National Wealth Fund of the Russian Federation. Under revised Directive 1A, U.S. financial institutions are prohibited from participating in the primary or secondary bond markets for ruble or non-ruble denominated bonds issued by these Russian institutions, or from lending to these institutions.

On 24 February 2022, the U.S. government followed through on its promise to bring a second round of far-reaching sanctions against Russia. This latest round focuses not only on Russia, but also Belarusian individuals and entities in response to the country's role in aiding the Russian invasion of Ukraine.

The new OFAC sanctions against Russia are unprecedented. Russia's two largest banks, Public Joint Stock Company Sberbank of Russia and VTB Bank Public Joint Stock Company, as well as their domestic and foreign subsidiaries, have been hit with sanctions. Three other major financial institutions were targeted, and debt and equity prohibitions were put in place against thirteen major state-owned and private entities in various sectors. Finally, numerous Russian elites with close ties to the Kremlin and influence in the financial sector were targeted.

The sanctions against Belarus are focused on the defence sector and financial institutions, as these areas have especially close ties to Russia. In the finance sector, two Belarusian state-owned banks, the Belarussian Bank of Development and Reconstruction Belinvestbank Joint Stock Company and Bank Dabrabyt Joint-Stock Company, have been sanctioned. In the defence sector, the sanctions target a significant number of Belarusian defence entities which help supply and equip the Russian military. In addition, the Belarusian Minister of Defence and the State Secretary of the Security Council of Belarus have been sanctioned.

| UNITED KINGDOM

On 22 February 2022, the United Kingdom imposed financial sanctions against five Russian banks (Bank Rossiya; Black Sea Bank for Development and Reconstruction; Joint Stock Company Genbank; IS Bank; and Public Joint Stock Company Promsvyazbank) and three Designated Persons (Gennadiy Nikolayevich Timchenko; Boris Romanovich Rotenberg; Igor Arkadyevich Rotenberg), who are individuals allegedly close to the Russian President and involved in the energy and construction industries. The assets of the Designated Persons in the UK have been frozen and travel restrictions imposed on them. UK individuals are advised to check whether they maintain any accounts or hold any funds for the Designated Persons and freeze such accounts or other economic resources if any. They are also required to refrain from dealing with the funds or making them available to the Designated persons.

On 24 February 2022, the United Kingdom imposed further sanctions against Russia. The Prime Minister during his address to the House of Commons announced ten economic sanctions that are set to be implemented in the coming days. The full list of the sanctions is as follows: (i) the assets of all major Russian banks in the UK like VTB Bank Public Joint Stock Company, will be frozen to prevent them from accessing sterling and clearing payment through the UK; (ii) it is expected that legislation will be passed shortly to prohibit all major Russian companies and the Russian state from raising finance and sovereign debt in the UK; (iii) the assets of 100 new individuals, subsidiaries and entities will be frozen. The individuals include Kirill Shamalov; Pyotr Fadkov; Denis

Bortnikov; Yury Slyusar; and Elena Georgieva; (iv) the Aeroflot Airline will be banned from landing in the UK; (v) all dual export licences on any items that could be used in the Russian military will be suspended immediately; (vi) all high-tech exports and exports in the extractive industry (for example oil refinery) to Russia will be prohibited; (vii) legislation will be introduced to limit deposits Russian nationals can hold in UK bank accounts; (viii) the UK will work with allies to essentially shut off Russian access to the SWIFT international payment system; (ix) the full range of sanctions will be extended to Belarus given its ties to the Russian state; and (x) unexplained wealth orders will be strengthened under the Economic Crime Bill which will be brought to Parliament before the Easter recess.

| EUROPEAN UNION

On 23 February 2022, the European Union announced the introduction of an additional sanctions package supplementing the EU sanctions that have already been in place since the Russian annexation of Crimea in 2014.

Specifically, any EU-situated assets held by the members of the lower house of the Russian parliament who voted in favor of the recognition of the regions Donetsk and Luhansk have been frozen and the members are banned from entering EU territory. Moreover, sanctions will be imposed on additional 27 individuals and entities who have played a crucial role in undermining or threatening the territorial integrity of Ukraine. The Council has also limited the access of the Russian Central Bank to the financial markets by prohibiting to make any new loans or credit to the Central Bank itself or entities acting on their behalf.

Further, the EU has imposed sanctions with regard to the non-government-controlled areas of Donetsk and Luhansk. These sanctions include an import ban on goods from the Donetsk and Luhansk regions, restrictions on trade and investments related to certain economic sectors, a prohibition to supply tourism services, and an export ban for certain goods and technologies. Moreover, the EU has implemented a prohibition to finance or acquire any entities in this area.

On 24 February, the Council took further actions and targeted further individuals from Belarus with sanctions. These sanctions cover travel bans and the freezing of assets. Furthermore, the Council already announced further sanctions against Belarus' economy and individuals.

On 25 February, the Council expanded the existing financial restrictions by prohibiting the acceptance of deposits exceeding certain values from Russian nationals or residents. Furthermore, further bans on exports and imports of technology and goods, especially for use in oil refining, were imposed.

Also, the agreement on the facilitation of the issuance of visas for Russian officials was partially suspended by the EU and further individuals were put on the list for sanctioned individuals. Vladimir Putin, Sergey Lavrov and Members of the State Duma who ratified the government decisions were added inter alia and the criteria of designation were amended.

On 28 February, the Council imposed further sanctions prohibiting Russian air carriers and any Russian-registered aircraft from landing in or overflying the territory of the Union. Furthermore, Switzerland took the decision to adopt the EU sanctions against the Russian economy and individuals as of 23 and 25 February. The sanctions will be implemented in coordination with the EU and will therefore be applied in the same manner.

The European Council also announced further sanctions against Russia, regarding an exclusion of Russia from the SWIFT.

| SWITZERLAND

On 28 February 2022, Switzerland changed its neutrality stance and decided to adopt all the sanctions that the EU imposed on 23 and 25 February 2022 against Russian individuals and companies. Switzerland is also implementing the financial sanctions imposed by the EU against Russian President Vladimir Putin, Prime Minister Mikhail Mishustin and Foreign Minister Sergey Lavrov which is to take effect immediately. The ban on imports, exports and investments concerning Crimea and Sevastopol which has been in place since 2014, has been extended to the Ukrainian regions of Donetsk and Luhansk. The Federal Council has also decided to: (i) partially suspend the 2009 agreement on visa facilitation for Russian nationals; (ii) impose entry bans against some individuals who have a close connection with Switzerland and the Russian President; (iii) close Swiss airspace to all flights from Russia and to all movements of aircrafts with Russian markings. The airspace ban however does not apply to flights for humanitarian, medical or diplomatic purposes.

| COMMERCIAL, TRADING AND ENERGY PROJECTS

There have been a number of significant developments in the transportation, trading and energy sectors. As previously reported, Germany suspended the approval of the operational licence process for Nord Stream 2. BP has now announced it will sever its association with Rosneft and Shell has announced it will sever its links with Gazprom, including the LNG Sakhalin project. The UK has prohibited Russian vessels calling at UK ports and Maersk has announced it will not call at Russian ports save for humanitarian aid. While it will be interesting to see how the existing contracts will be exited, it is a clear demonstration of the intent to isolate Russia financially and commercially.

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