The Russian invasion of Ukraine has triggered swift international retribution. Global
powers—including the European Union (EU), the United Kingdom (UK) and the United States (US)—have announced sanctions as the crisis in Europe escalates. As governments expand these sanctions, businesses dealing in Russia or with the Russian government are urged to take immediate steps to ensure compliance. This On the Subject outlines the scope and applicability of these sanctions in each major jurisdiction.

IN DEPTH

EUROPEAN UNION

Targeted Sanctions on Entities and Individuals

In addition to the sanctions against Russia already in place following its annexation of the Crimean Peninsula, cyberattacks and human rights abuses (which were extended until 31 July 2022, and will likely be extended again), the Council of the European Union imposed restrictive measures on 21 February 2022, on five additional individuals (Aleksei Yurievich Cherniak, Leonid Ivanovich Babashov, Tatiana Georgievna Lobach, Nina Sergeevna Faustova and Aleksandr Evgenevich Chmyhalov) for actively supporting actions and implementing policies that undermine or threaten the territorial integrity, sovereignty and independence of Ukraine. The designated persons are members of the State Duma of the Russian Federation, and they were elected to represent the illegally annexed Crimean Peninsula and the City of Sevastopol on 19 September 2021, as well as the head and deputy head of the Sevastopol electoral commission.

On 23 February 2022, following a joint press statement of the Presidents of the European Commission and Council, the European Union extended the existing sanctions framework to cover all of the 351 members of the Russian State Duma who voted for the recognition of Donetsk and Luhansk as independent entities. The European Union also extended sanctions on an additional 27 high-profile individuals and entities who have played a role in undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

The restrictive measures include asset freezes, a European Union-wide travel ban and a prohibition from making funds available to the listed individuals and entities. Pursuant to European Union asset freezes, all funds and economic resources that belong to, are owned, held or controlled by a designated person are frozen. “Ownership” is triggered by a party holding more than 50% of proprietary rights in an entity or a majority interest in that entity. Therefore, entities owned by designated individuals will also be affected by the targeted sanctions.

Economic Restrictions

The European Union also imposed various economic restrictions on the Donetsk and Luhansk regions, specifically:

- An import ban on goods from those regions;
- An export ban on certain goods and technologies;
A prohibition on tourism services; and

A restriction on trade investments related to certain economic sectors.

**Financial Restrictions**

Notably, the European Union also imposed a sectoral prohibition to finance the Russian Federation, its government and its Central Bank in the hope of limiting the financing of escalatory and aggressive policies.

Germany also put on halt the certification process for the North Stream 2 pipeline, which is meant to deliver natural gas directly from Russia to Germany. The pipeline is owned by a subsidiary of Gazprom.

**Applicability of EU Sanctions**

The sanctions announced on 21 February and 23 February have been published in the Official Journal of the European Union and take effect immediately. New sanctions are directly applicable in all EU Member States, with existing penalties in place at a Member State level in relation to any breaches.

EU sanctions are broad in scope and apply to any person inside or outside the territory of the European Union who is a national or is incorporated under the laws of a Member State, as well as any legal person in respect of any business done in whole or in part within the European Union. Likewise, any events taking place within the territory of the European Union, including its airspace and on board any aircraft or vessel under the jurisdiction of a Member State, would be subject to the EU sanctions.

**Further Developments**

In a statement on 24 February, EU President Ursula von der Leyen announced that the European Union will present a further “package of massive, targeted sanctions” aimed at strategic sectors of the Russian economy in response to Russia’s continued escalation of the conflict. The new measures will block Russia’s access to technologies and markets that are key for Russia, freeze Russian assets in the European Union and stop the access of Russian banks to European financial markets. The further measures could include Russia being removed from SWIFT (the Society for Worldwide Interbank Financial Telecommunication), which is the worldwide communication system used by banks.

The European Union may also expand the sanctions to target those who “provide support or benefit from the Russian government” as a response to Belarus support for Russia.

**UNITED KINGDOM**

UK Prime Minister Boris Johnson announced a “first barrage” of sanctions against Russia with the designation of five Russian banks and three high-net-worth Russian individuals. The sanctions have been imposed pursuant to the recently amended

Designated individuals: Gennady Timchenko, Boris Rotenberg and Igor Rotenberg.

Similar to the EU sanctions, any assets held in the United Kingdom by the individuals concerned will be frozen, and the individuals will also be banned from travelling to the United Kingdom. There will also be a prohibition on all UK individuals and entities from having any dealings with the designated entities and individuals.

Further Developments

The UK government stated it will further extend targeted sanctions to the Russian politicians who voted to recognise the independence of Donetsk and Luhansk and economic restrictions currently applicable to the Crimean Peninsula to the Donetsk and Luhansk regions. On 23 February, Prime Minister Boris Johnson warned London bank chiefs to expect tougher sanctions on Russia if the crisis in Ukraine escalates.

The UK government is likely to follow the European Union lead with respect to additional and broader sanctions (i) seeking to curtail Russia’s ability to raise funds in UK markets, prohibiting a range of high-tech exports and further isolating Russian banks from the global economy; (ii) targeting the Russian financial sector and trade; and (iii) prohibiting Russia from issuing foreign debt on UK markets.

In line with previous statements from the UK government, on 24 February Prime Minister Boris Johnson announced it will take measures to exclude Russian Banks from London’s financial system “stopping them from accessing sterling and clearing payments through the UK” and limiting the amount of money the Russian nationals will be able to deposit in their UK bank accounts.

UNITED STATES

The US sanctions announced immediately after the beginning of the current crisis effectively prohibit US persons from engaging in any economic activity with the breakaway Donetsk and Luhansk “republics.” This includes investment, exports to and imports from these regions. US President Joe Biden subsequently announced a new set of sanctions aimed at cutting off Russia from western financing and targeting high-net-worth Russian individuals.

Targeted Sanctions

The United States imposed new sanctions against two banks and three individuals who are the sons of three previously sanctioned President Putin inner circle members.

Sanctioned entities: Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company
(PSB), along with 42 of their subsidiaries.

- Sanctioned individuals: Denis Aleksandrovich Bortnikov, Petr Mikhailovich Fradkov and Vladimir Sergeevich Kiriyenko.

As mentioned above, the fathers of the newly sanctioned individuals are already subject to US sanctions. These new sanctions aim to prevent the previously sanctioned individuals from transferring their assets to family members to evade sanctions. Any entities owned 50% or more by sanctioned individuals will also be sanctioned entities.

The United States has also subjected Nord Stream 2 AG, the Swiss company building the Nord Stream 2 natural gas pipeline from Russia to Germany, to sanctions.

**Financial Restrictions**

In addition to targeted sanctions, the United States adopted Directive 1A under Executive Order 14024. This directive expands existing sovereign debt prohibitions applying to “US financial institutions” to cover participation in the secondary market for bonds issued after 1 March 2022, by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation or the Ministry of Finance of the Russian Federation. These restrictions previously applied only to participation in the primary market for this debt.

“US financial institutions” is defined broadly and includes all US entities and their foreign branches which engage in activities as “depository institutions, banks, savings banks, money services businesses, operators of credit card systems, trust companies, insurance companies, securities brokers and dealers, futures and options brokers and dealers, forward contract and foreign exchange merchants, securities and commodities exchanges, clearing corporations, investment companies, employee benefit plans, dealers in precious metals, stones, or jewels, and US holding companies, US affiliates, or US subsidiaries of any of the foregoing.”

**Further Developments**

During his speech on 22 February, President Biden announced that more measures would be imposed in the event of Russia’s invasion of Ukraine, including additional sanctions targeting Russia’s biggest banks and export control measures. Considering President Putin’s launch of military operations in Ukraine, it is expected that the United States and its allies will announce “further consequences” for Russia on 24 February.

**GLOBAL**

Canada, Japan and Australia have also announced sanctions against Russia in response to the Ukraine crisis, including targeted sanctions against Russian individuals and financial institutions, and an import/export ban of goods on the Donetsk and Luhansk regions. Canada and Japan also implemented new prohibitions on dealings in Russian sovereign debt.
IMPACT ON BUSINESS

If you or your company have dealings with Russian entities or individuals:

- Immediately conduct a thorough review of your business agreements to ensure you have no dealings directly or indirectly with designated individuals or entities, and if there is any connection to designated people, promptly seek out legal advice;

- Ensure you have robust sanction compliance measures to screen third parties which may be subject to sanctions; and

- Monitor the developing situation and seek out legal advice if concerned about potential breaches.

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