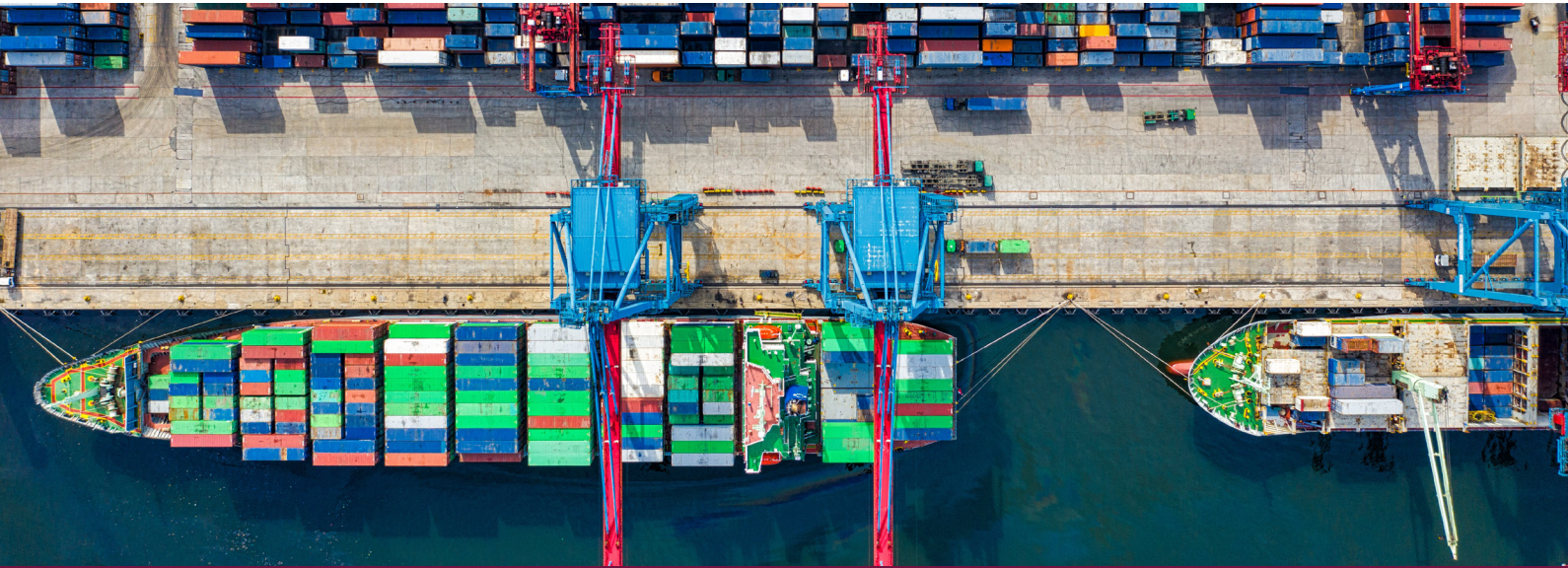


VAN BAEL & BELLIS



UPDATE

**EUROPEAN UNION IMPOSES
SEVERE SANCTIONS ON RUSSIA**

| 17 March 2022

VAN BAELE & BELLISS

In response to Russia's recognition of the Donetsk and Luhansk regions of Ukraine on 22 February 2022 and its continuing military aggression against Ukraine starting on 23 February 2022, the European Union ("EU") has so far adopted four packages of sanctions severely restricting economic relations with Russia, Russian entities and persons including, inter alia, far-reaching restrictions on (i) financial transactions, (ii) exports of dual-use items, oil refining, aerospace, and maritime navigation goods, (iii) imports of iron and steel products and (iv) transactions with certain Russian state-owned enterprises. This Client Alert identifies the relevant regulations, explains what sanctions apply, and flags key compliance actions.

WHERE TO FIND THE RELEVANT LEGISLATION?

Regulations implementing the sanctions decisions unanimously adopted by the Council were [published](#) in the Official Journal on 23 February 2022 ("**first package**") and 25 February 2022 ("**second package**"). Between 28 February 2022 and 10 March 2022, a third set of measures was published ("**third package**"). On 15 March 2022, the latest set of sanctions was published ("**fourth package**").

	Russia Sanctions Regime		New Measures
	Amendments to Regulation 269/2014	Amendments to Regulation 833/2014	
First Package	Regulation 2022/259 Implementing Regulation 2022/260 Implementing Regulation 2022/261	Regulation 2022/262	Regulation 2022/263 → new sanctions on non-government-controlled areas of Donetsk and Luhansk
Second Package	Regulation 2022/330 Implementing Regulation 2022/332	Regulation 2022/328	
Third Package	Implementing Regulation 2022/336 Implementing Regulation 2022/353 Implementing Regulation 2022/396 Implementing Regulation 2022/408	Regulation 2022/334 Regulation 2022/345 Regulation 2022/350 Regulation 2022/394	
Fourth Package	Implementing Regulation 2022/427	Regulation 2022/428	

The regulations imposing these sanctions apply to all persons within the EU jurisdiction ("**EU persons**"). This includes EU nationals in any location, entities incorporated under the law of an EU Member State including branches outside the European Union, as well foreign companies with respect to their EU operations, and on board of aircraft or vessels under the jurisdiction of the EU Member States.

TARGETED SANCTIONS

To target persons and entities supporting Russia's actions in Ukraine, the European Union has ordered the freezing of assets belonging to several persons and entities listed in [Annex I](#) to (amended) Regulation [269/2014](#), and has prohibited listed persons from entering the EU territory.

It is also prohibited to make funds or economic resources, including crypto-assets, available to listed persons and entities, including indirect economic benefits such as payments to entities owned or otherwise controlled by a listed person or entity. Consequently, commercial dealings with undertakings controlled, owned, or associated to a listed person or entity could pose significant compliance risks.

As of 15 March 2022, the EU [sanctions list](#) includes 893 individuals and 65 entities listed in connection with the actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

EU Member States may, upon request, authorise transactions benefiting designated persons and entities if the conditions of applicable derogations are met. With respect to designated Russian banks, EU Member States may authorise, until 24 August 2022, transactions required to terminate contracts concluded before 23 February 2022.

FINANCIAL SANCTIONS

Restrictions on dealing with certain Russian State-owned enterprises

From 16 March 2022, it is prohibited to engage, directly or indirectly, in any transaction with a legal person, entity or body established in Russia which is controlled or owned by Russia, the Russian government, or the Central Bank of Russia, as listed in [Annex XIX](#) to (amended) Regulation 833/2014. The following entities are included:

- OPK Oboronprom;
- United Aircraft Corporation;
- Uralvagonzavod;
- Rosneft;
- Transneft;
- Gazprom Neft;
- Almaz-Antey;
- Kamaz;
- Rostec;
- JSC PO Sevmash;
- Sovcomflot; and

- United Shipbuilding Corporation.

The Council has provided a winding down period, allowing EU persons to execute, until 15 May 2022, contracts concluded before 16 March 2022 and ancillary contracts necessary for the execution of those contracts.

Notably, the prohibition does not apply to transactions strictly necessary for the purchase, import, or transport of fossil fuel, as well as titanium, aluminium, copper, nickel, palladium, and iron ore from or through Russia into the EU, and transactions relating to energy projects outside Russia in which an entity listed in [Annex XIX](#) to (amended) Regulation 833/2014 is a minority shareholder.

SWIFT ban

From 12 March 2022, the EU prohibits persons from providing specialised financial messaging services to entities listed in [Annex XIV](#) to (amended) Regulation 833/2014. The EU has thereby effectively excluded the following Russian banks from the inter-bank messaging system, administered by the Belgium-based Society for Worldwide Interbank Financial Telecommunication ("**SWIFT**"):

- Bank Otkritie;
- Novikombank;
- Promsvyazbank;
- Bank Rossiya;
- Sovcombank;
- Vnesheconombank (VEB); and
- VTB Bank.

This prohibition prevents the listed banks from communicating payment instructions with other members of SWIFT worldwide.

Restrictions on transactions involving Russian sovereign debt, reserves and assets

Extending credit and loans to, and purchasing, selling or trading transferable securities and bonds issued by the Russian government, the Central Bank of Russia, or any entity acting on behalf of or at the direction of the Central Bank of Russia, including the Russian National Wealth Fund, is prohibited.

EU persons are also prohibited from making any transaction related to the management of reserves and assets of the Central Bank of Russia with any person or entity acting on behalf of or directed by the Central Bank of Russia. EU Member States may authorise such transactions only if they are necessary to maintain the financial stability of the EU or an EU Member State.

Restrictions on transactions involving Russian corporate debt and securities

EU persons are prohibited from purchasing, selling, providing investment services for or assisting in the issuance of, or otherwise dealing with transferable securities, including crypto-assets, and money-market instruments issued by entities listed or controlled / directed by:

- (i) State-owned Russian financial institutions listed in [Annex III](#) to (amended) Regulation 833/2014; and

- (ii) Major defence companies listed in [Annex V](#) to (amended) Regulation 833/2014.

From 12 April 2022, it is prohibited to conduct transactions involving all securities issued by entities listed or controlled / directed by:

- (iii) State-owned oil companies listed in [Annex VI](#) to (amended) Regulation 833/2014;
- (iv) Major State-owned credit institutions listed in [Annex XII](#) to (amended) Regulation 833/2014; and
- (v) Other State-owned and State-controlled entities included in [Annex XIII](#) to (amended) Regulation 833/2014.

From 26 February 2022, no new loans or credit, including in the form of crypto-assets, may be extended to entities listed in points (i)–(v) above, with limited exceptions for, inter alia, trade financing involving non-prohibited goods and drawdowns and disbursements made under contracts concluded before 26 February 2022.

Restrictions on investment in the Russian energy sector

From 16 March 2022, it is prohibited to acquire any new participations or extend existing participations in any legal person, entity or body operating in the energy sector in Russia, irrespective of where that person, entity or body is established. To this end, the notion of “energy sector” covers:

- The exploration, production or distribution within Russia or mining of crude oil, natural gas or solid fossil fuels, the refining of fuels, the liquefaction of natural gas or regasification;
- The manufacture or distribution within Russia of solid fossil fuel products, refined petroleum products or gas; or
- The construction of facilities or installation of equipment for, or the provision of services, equipment or technology for, activities related to power generation or electricity production, except for civil nuclear related activities.

It is prohibited to grant any new loan or credit or otherwise provide financing, including equity capital, to legal persons operating in the Russian energy sector. In addition, EU persons are prohibited from creating new joint ventures with legal persons operating in the Russian energy sector. Providing related investment services is likewise prohibited.

The EU Member States may authorise an otherwise prohibited transaction, if necessary, to ensure critical energy supply within the EU or to transport fossil fuels from or through Russia into the EU. An authorisation may also be granted if the investment exclusively concerns a legal person, entity or body operating in the energy sector in Russia owned by a legal person, entity or body incorporated or constituted under the law of an EU Member State.

Restrictions on the supply of certain financial services

It is prohibited to accept deposits exceeding EUR 100,000 from Russian entities and persons established or resident in Russia, except for EU, European Economic Area (“EEA”), and Swiss nationals. Exceptions apply for deposits intended to supply non-prohibited goods and services, as well as deposits authorised (upon request) by EU Member State authorities listed in [Annex I](#) to (amended) Regulation 833/2014 and intended for a limited number of legitimate purposes. It is

also prohibited to sell euro-denominated securities issued after 12 April 2022 to Russian persons and entities.

In addition, from 12 April 2022, Central Securities Depositories (“**CSDs**”) subject to the [CSD Regulation](#), may not provide financial services to persons and entities residing or established in Russia, except for EU nationals.

From 15 April 2022, it is prohibited to provide credit rating services, as well as access to any subscription services in relation to credit rating activities to any natural or legal person established in Russia.

Restrictions on contributing to funds

EU persons are prohibited from investing, participating or otherwise contributing to projects co-financed by the Russian Direct Investment Fund, Russia’s sovereign wealth fund. EU Member States may nonetheless authorise investments due under contracts concluded before 2 March 2022.

Restrictions on public support for investment and trade with Russia

Except where binding financing arrangements have been made prior to 26 February 2022, EU persons are prohibited from providing public financing or financial assistance for trade with, or investment in, Russia. The prohibition does not apply to public financing or financial assistance for trade in food and for agricultural, medical, or humanitarian purposes. Nor does it apply to public financing or financial assistance benefiting small and medium-sized enterprises established in the EU, provided the amount financed does not exceed a total value of EUR 10 million per project.

TRADE SANCTIONS

Restrictions on imports of certain iron and steel products

From 16 March 2022, an import ban on iron and steel products listed in [Annex XVII](#) to (amended) Regulation 833/2014 applies. EU persons are prohibited to:

- Import into the EU, iron and steel products originating in or exported from Russia;
- Transport iron and steel products originating in Russia or being exported to any other third country;
- Purchase iron and steel products originating or located in Russia; and
- Provide related technical assistance, brokering services, financing or financial assistance, as well as insurance and re-insurance services.

The list of iron and steel products in (amended) Regulation 833/2014 [Annex XVII](#) overlaps with the list of products in [Annex IV](#) to Implementing Regulation [2019/159](#) imposing definitive safeguard measures against imports of certain steel products into the EU. The European Commission redistributed the import quotas originally allocated to Russia to other third countries (see Implementing Regulation [2022/434](#)).

A winding down period applies, allowing the execution of contracts, until 17 June 2022, concluded before 16 March 2022 and ancillary contracts necessary for the execution of such contracts.

Restrictions on exports of dual-use items and oil-related, aerospace, maritime navigation and luxury goods

To target Russia's military and technology sectors, as well as hindering the activities of Russia's key industries, the EU has introduced several restrictions on exports to Russia.

It is prohibited to directly or indirectly sell, supply, transfer or export dual-use goods, software or technology, listed in [Annex I](#) to Regulation 2021/821 ("*Dual-use Regulation*"), as well as the additional technological goods listed in [Annex VII](#) to (amended) Regulation 833/2014, to entities and persons in Russia or intended for use in Russia, as well as technical assistance, brokering, and financial services related to both categories of goods.

- **Carve-out.** The prohibition does not apply to items intended for a limited list of core legitimate uses, such as use for humanitarian or medical purposes, provided the seller, supplier or exporter notifies the use of this exception to the competent authorities of the relevant EU Member State within 30 days of the transaction.
- **Derogation.** The EU Member States competent [authorities](#) may authorise the sale, supply, transfer or export of the items concerned, if the items are used for a limited list of legitimate uses. The authorisation cannot be granted if the items are intended for military uses, for the aviation or the space industry or for end-use by an entity listed in [Annex IV](#) to (amended) Regulation 833/2014.
- **Winding down clause.** EU Member States may authorise the sale, supply, transfer or export of the items concerned, if they are due under contracts concluded before 26 February 2022. The authorisation cannot be granted if the items are intended to be used for military uses, for aviation or the space industry or for end-use by an entity listed in [Annex IV](#) to (amended) Regulation 833/2014.

It is prohibited to directly or indirectly, sell, supply, transfer or export from the European Union to any natural or legal person, entity or body in Russia, for use in Russia:

- Oil exploration and production goods (including line pipes used for oil or gas pipelines) listed in [Annex II](#) to (amended) Regulation 833/2014.
 - **Carve-out.** The prohibition does not apply to goods necessary to transport fossil fuels from or through Russia into the EU and goods necessary to prevent or mitigate events that are likely to seriously impact human health or the environment.
 - **Derogation.** EU Member States may authorise the sale, supply, transfer or export of goods listed in Annex II necessary to ensure critical energy supply within the EU or for the exclusive benefit of entities controlled, solely or jointly, by an entity incorporated or constituted under the law of an EU Member State.
 - **Winding down clause.** EU persons may execute contracts concluded before 16 March 2022 and contracts necessary for the execution of such contracts, until 17 September 2022, provided that the EU person informs the competent authorities of the EU Member States at least five working days in advance.
- Oil refining goods and technology listed in [Annex X](#) to (amended) Regulation 833/2014, including related technical and financial assistance and brokering services.
 - **Derogation.** EU Member States may authorise the sale, supply, transfer or export of goods listed in Annex X, and provide related services necessary for the urgent

prevention or mitigation of an event likely to have a serious and significant impact on human health and safety or the environment.

- **Winding down clause.** EU persons are allowed to execute contracts concluded before 26 February 2022 and any ancillary contracts necessary to execute such contracts until 27 May 2022.
- Aerospace goods listed in [Annex XI](#) to (amended) Regulation 833/2014, including related technical assistance and financial or brokering services.
 - **Winding down clause.** EU persons are allowed to execute an obligation arising from a contract concluded before 26 February 2022 and contracts necessary for the execution of such contracts, until 28 March 2022,
- Maritime navigation goods and technology listed in [Annex XVI](#) to (amended) Regulation 833/2014, including related technical assistance and financial or brokering services.
 - **Carve-out.** The prohibition does not apply to goods listed in Annex XVI and related services for non-military use and for a non-military end-user, intended for humanitarian purposes, health emergencies, the urgent prevention or mitigation of an event likely to have a serious and significant impact on human health and safety or the environment, or as a response to natural disasters.
 - **Derogation.** EU persons may also obtain an authorisation to sell, supply, transfer or export goods listed in Annex XVI and supply related services if intended for maritime safety uses.
- Luxury goods listed in [Annex XVIII](#) to (amended) Regulation 833/2014 to any natural or legal person, entity or body in Russia or for use in Russia. The prohibition applies if the value of the products exceeds EUR 300 per item, unless Annex XVIII specifies a different threshold.
 - **Carve-out.** The prohibition does not apply to goods necessary for the official purposes of diplomatic missions and international organisations enjoying immunities in accordance with international law.
 - **Derogation.** The EU Member States may also authorise the sale of vehicles for the transport of persons listed in [Annex XVIII](#) to (amended) Regulation 833/2014 with a value exceeding EUR 50,000, as well as related accessories and spare parts, if the goods are provided for humanitarian purposes.

Restrictions on exchanging euro-denominated banknotes

To limit euro cash flow to Russia, EU persons are prohibited to sell, supply, transfer or export euro banknotes to Russia and Russian persons and entities, including the government and the Central Bank of Russia, or for use in Russia. Nevertheless, exceptions exist for personal use and diplomatic missions.

Restrictions on dealings with non-government-controlled areas of Crimea, Donetsk and Luhansk

It is prohibited to import goods originating in the non-government-controlled areas of Crimea, Donetsk and Luhansk. In addition, it is prohibited to supply tourism services to these areas, invest in these areas, and export goods and technology for use in the telecommunications, transport, oil, gas and mineral sectors. The supply of technical assistance, brokering, construction and engineering services in the Donetsk and Luhansk areas involving the targeted sectors is also prohibited.

AIR TRANSPORT, VISA RESTRICTIONS AND BROADCASTING BAN

The EU has closed its airspace to any aircraft operated by Russian air carriers, Russian registered aircraft and any aircraft owned by Russian entities and persons. The EU also suspended facilitated access to EU visas pursuant to the 2007 Agreement between the European Community and the Russian Federation on the facilitation of issuance of short-stay visas, for Russian government officials and businesspersons. In addition, EU persons are prohibited from broadcasting or facilitating the broadcasting of content from Russian media outlets listed in [Annex XV](#) to (amended) Regulation 833/2014.

MANAGING SANCTIONS RISKS

EU persons doing business with Russia, Russian persons and entities or having supply chains that extend to Russia should immediately assess whether their operations are affected by EU sanctions. Key risks are:

- **Payments:** making payments to and withdrawing assets from Russian banks excluded from SWIFT will become practically impossible. Likewise, making payments to listed persons and entities, as well as entities controlled by such persons or entities, is prohibited. Dealings with certain state-owned enterprises are also prohibited. EU persons are therefore advised to carefully screen payment beneficiaries, their principals, and recipient banks.
- **Supply chain:** supplying goods and services benefiting listed persons and entities, as well as entities owned or factually controlled by listed entities or persons are prohibited. Transactions involving certain Russian state-owned enterprises are also prohibited. In addition, selling dual-use items, goods for the aerospace industry or oil refining, luxury goods and maritime navigation equipment to Russian-owned companies or any recipient who might use such items in Russia, is prohibited. Importing certain iron and steel products is now prohibited as well. EU persons should therefore carefully classify and screen the end-use and end-user of their products and services.

To enable EU persons to terminate contracts envisaging prohibited transactions, the EU sanctions block any claims for performance or damages made against EU persons by Russian persons, entities and bodies.

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