UPDATE
SWITZERLAND IMPOSES SANCTIONS TARGETING RUSSIA
In response to Russia’s military aggression against Ukraine and following the adoption by the European Union of sanctions targeting Russia, the Federal Council of Switzerland introduced a **package of sanctions** on 28 February 2022 severely restricting economic relations with Russia, and with selected Russian entities and persons. On 4 March 2022, Switzerland approved a **second set of sanctions**, which was further updated with additional targeted sanctions on 16 March 2022. On 25 March 2022, the **latest set of sanctions** was published. The applicable sanctions are set out in the Ordinance on measures related to the situation in Ukraine (**SR 946.231.176.72**) ("Russia Sanctions Ordinance").

The sanctions adopted by Switzerland largely follow those adopted in recent weeks by the European Union but are not identical. For the applicable EU sanctions, see our [Client Alert](#) of 17 March 2022.

This Client Alert provides an overview of the relevant sanctions imposed by Switzerland as of 25 March 2022. The applicable sanctions can be grouped into four broad categories:

- Restrictions on trade in goods;
- Measures related to specific areas;
- Financial sanctions;
- Other restrictions, such as travel ban.

### RESTRICTIONS ON TRADE IN GOODS

**Restrictions on firearms, munitions, dual-use goods and special military goods**

The importation of firearms and munitions from Russia or Ukraine, as well as the sale, delivery, export, transit and transport of the special military goods listed in Annex 3 to the Goods Control Ordinance ("GCO Ordinance") to or intended for use in Russia or Ukraine is prohibited. The provision of services of all kinds (e.g., brokerage, financing, and maintenance) relating to such goods is also prohibited.

Switzerland further prohibits the sale, delivery, export, transit and transport of dual-use goods listed in Annex 2 of the GCO Ordinance, when such goods are: (i) destined for or intended for use in Russia or (ii) destined for or intended for use in Ukraine, when they are intended for military use or for military end users. Similarly, the provision of services of all kinds is prohibited when they relate to dual-use goods destined for or intended for use in Russia and are subject to authorisation when dual-use goods are destined for or intended for use in Ukraine. Similar prohibitions apply in relation to goods intended for military and technological reinforcement or development of the defence and security sector that are listed in Annex 1 to the Russia Sanctions Ordinance. However, when such goods are destined for or intended for use in Ukraine, they are not subject to a prohibition but merely to an authorisation.

No exceptions or authorisation procedures are available for the above outlined prohibitions related to firearms and munitions, or the special military goods or related services.
The prohibition imposed on dual-use goods and goods destined for military and technological reinforcement or the development of the defence and security sector does not apply where these goods are intended for one of the legitimate uses listed in Article 6 of the Russia Sanctions Ordinance. In addition, the Swiss State Secretariat for Economic Affairs (“SECO”) may authorize derogations from this prohibition in limited cases relating to civilian uses.

**Restrictions on goods intended for use in the aerospace industry**

The sale, delivery, export and transit of goods intended for use in the aerospace industry, listed in Annex 3 to the Russia Sanctions Ordinance, to a person or entity in Russia, or for use in Russia are prohibited. It is also prohibited to provide insurance or reinsurance services in relation to the goods listed in Annex 3 to any person or entity in Russia, or for use in Russia. Any other services in relation to such goods, with the exception of pre-flight inspection services, are equally prohibited.

**Restrictions on goods and technologies for maritime navigation**

The sale, provision, delivery, export, transit and transport of goods and technologies for maritime navigation, listed in new Annex 16 to the Russia Sanctions Ordinance, to or intended for use in Russia or on a vessel flying the flag of the Russian Federation are prohibited. When those goods and technologies are destined to or for use in Ukraine or on vessels flying the flag of Ukraine, an authorisation obligation applies. The same rules apply to any services related to the goods and technologies listed in Annex 16 to the Russia Sanctions Ordinance. Limited exceptions are available on humanitarian and few other public policy grounds. SECO may authorise derogations from the prohibition in limited cases relating to civilian uses, when the listed goods and technology, as well as related services, are intended for maritime safety.

**Restrictions on goods intended for use in the oil refining and on goods and services in the energy sector**

The sale, delivery, export and transit of goods listed in Annex 4 to the Russia Sanctions Ordinance that are intended for use in the oil refining, to any person or entity in Russia, or for use in Russia, as well as related services, are prohibited. Very few exceptions and authorisation by SECO in limited circumstances are available.

The sale, provision, delivery, export, transit and transport of goods used in the energy sector that are listed in Annex 5 to the Russia Sanctions Ordinance, to or intended for use in Russia, including in the exclusive economic zone and the continental shelf of Russia, as well as the provision of related services, is prohibited. Limited exemptions apply, including when the mentioned goods and certain related services are necessary for the delivery of fossil fuels, such as coal, oil and natural gas, from or through Russia to Switzerland or EEA countries. In limited circumstances, SECO may also, upon consultation with other relevant federal departments, authorise derogations from this prohibition.

The Russia Sanctions Ordinance also imposes a number of restrictions relating to investment in the Russian energy sector, which are addressed below.

**Restrictions on exports of luxury goods**

The sale, delivery, export, transport and transit of luxury goods listed in Annex 18 to the Russia Sanctions Ordinance to any individual, company or entity in Russia, or intended for use in Russia, are prohibited. This prohibition does not apply to luxury goods, which are necessary for official activities of the diplomatic or consular missions of Switzerland, or their partners, in Russia, or of international organizations that enjoy immunity under public international law.
Restrictions on imports of certain steel products

The import, transport and purchase of steel products listed in Annex 17 to the Russia Sanctions Ordinance, when these products originate in or are exported from Russia, are prohibited. It is also prohibited to provide, directly or indirectly, certain services related to those goods.

TRADE RESTRICTIONS RELATED TO SPECIFIC AREAS

Imports from Russia-controlled areas

Goods imported from Crimea, Sevastopol and the parts of the Donetsk and Luhansk that are not controlled by the Ukrainian government ("Russia-controlled areas") may enter Switzerland only if accompanied with a certificate of origin issued by the Ukrainian authorities. It is also prohibited to provide financial, insurance and re-insurance services in respect of imports from those areas if not accompanied by the origin certificate issued by the Ukrainian authorities.

Exports to Russia-controlled areas

Selling, supplying, exporting or transporting goods listed in Annex 7 to the Russia Sanctions Ordinance, as well as supplying related technical, construction, engineering, brokering and financial assistance to persons and entities in Russia-controlled areas of Ukraine is prohibited. The prohibition does not apply among others to goods destined for hospitals and schools in these areas. SECO may authorize restricted exports, in limited circumstances, including on public health and environmental grounds.

FINANCIAL SANCTIONS

Targeted financial sanctions

Switzerland has ordered the freezing of assets and economic resources of persons and entities listed in Annex 8 to the Russia Sanctions Ordinance. It is prohibited to provide or make any funds or economic resources available, directly or indirectly, to the listed persons and entities, as well as to conduct any economic transactions with the listed persons and entities. This prohibition does not apply in limited circumstances, including where the transfer or provision of funds or economic resources is necessary for humanitarian activities or for official activities of the diplomatic or consular missions of Switzerland. SECO may authorise a derogation from the prohibition to enable humanitarian activities and support of civilians in relation to the situation in Ukraine. SECO may also authorize the release of funds, assets or economic resources to the listed persons or entities in limited other circumstances. Swiss entities and institutions that hold or manage assets or are aware of economic resources that are likely to be subject to these targeted sanctions, must notify SECO without delay.

SECO provides an online tool for searching subjects of sanctions, including those listed in Annex 8.

Prohibition on providing financing, including public financing

The Russia Sanctions Ordinance prohibits the provision of financing or public financial assistance in connection with commercial transactions with Russia or investments in Russia. Binding obligations entered into before 5 March 2022, financing not exceeding 10 million Swiss Francs per project for small and medium-sized enterprises established in Switzerland and financing in connection with trade in food for agricultural, medical or humanitarian purposes are not covered by this prohibition.
Restrictions on dealings with securities and money-market instruments

The Russia Sanctions Ordinance imposes various restrictions on providing assistance in the issuance, trade and provision of transferable securities and money-market instruments, which were issued (i) by or on behalf of the Russian Federation, its Government or the Central Bank, or (ii) by or on behalf of the entities listed in Annexes 9, 10, 11, 12 or 13. From 12 April 2022, Switzerland also prohibits trading platforms that are registered or recognized in Switzerland from listing and providing trading services for transferable securities of any bank or other entities established in Russia and publicly majority-owned.

Furthermore, Swiss central securities depositories are prohibited from providing services to Russian nationals or residents or entities established in Russia in relation to securities issued after 12 April 2022. Sales of securities denominated in Swiss Francs or Euro and units in collective investment schemes with access to such securities to Russian nationals, residents and banks, enterprises and other entities established in Russia are also prohibited. These prohibitions do not apply to Swiss and EEA nationals and residents.

Prohibition on transactions with the Russian central bank and state-owned enterprises

Transactions in connection with the management of the reserves and assets of the Russian central bank, including transactions with other entities acting on behalf of or on instructions from the Russian central bank, such as the Russian National Wealth Fund, are prohibited. SECO may authorize such transactions in limited circumstances, in particular, if these are necessary to ensure the financial stability of Switzerland or to terminate, by 4 May 2022, any contractual relationship or other arrangements agreed before 4 March 2022.

It is also prohibited to do business, directly or indirectly, with certain entities, including entities that are listed in Annex 15 and based in Russia. There are limited exemptions from this prohibition. In limited circumstances, SECO may also, upon consultation with other relevant federal departments, authorise derogations from this prohibition.

Restrictions on granting loans

Switzerland prohibits, subject to limited exceptions, the granting of loans (i) to the Russian Federation, its Government, its Central Bank and entities acting on behalf or at the direction of the latter; as well as (ii) to the entities listed in Annexes 9, 10, 11, 12 or 13, entities that are majority-owned by the listed entities and entities acting on behalf or at the direction of the listed entities and majority-owned entities.

Prohibition on deposits

The Russia Sanctions Ordinance prohibits Swiss banks from accepting deposits by Russian nationals or residents and banks, enterprises and other entities established in Russia if the total value deposits of the person or entity exceeds 100,000 Swiss Francs. This prohibition is subject to some exceptions (e.g. for Swiss and EEA nationals). In limited circumstances, SECO may also authorize derogations from this prohibition, e.g. for humanitarian needs.

By 3 June 2022, Swiss banks must provide SECO with a list of deposits exceeding 100,000 Swiss Francs of Russian nationals and residents, as well as banks and other entities established in Russia.
Prohibition of contributions to the Russian Direct Investment Fund

Investments in the Russian Direct Investment Fund, participation in its projects or any other contribution to that fund are prohibited unless SECO has authorized such activity to permit compliance with contracts concluded before 5 March 2022.

Exclusion of Russian entities from SWIFT

As of 12 March 2022, it is prohibited to provide specialized financial messaging services (i.e. SWIFT) to Russian banks, enterprises and other entities listed in Annex 14 as well as to banks, enterprises and other entities based in Russia and which are majority-owned by any entities listed in Annex 14.

Restrictions on supplying banknotes

Swiss Francs or Euro banknotes may not be sold, supplied, transferred or exported to or in Russia, or to any natural or legal person, entity or enterprise in Russia, including the Russian Government or the Russian Central Bank. Swiss Francs and Euro banknotes may still be sold, supplied, transferred and exported for personal use by individuals.

Restrictions on the provision of credit rating services

The Russia Sanctions Ordinance prohibits providing rating services and granting access to subscription services related to rating services to Russian nationals and residents, as well as entities based in Russia. This prohibition does not apply to nationals and residents of Switzerland or EEA countries.

Restrictions on investment in the Russian energy sector

The Russia Sanctions Ordinance prohibits a number of activities related to investments in the Russian energy sector. For instance, it is prohibited to acquire new or to expand existing investments in or to establish joint ventures with companies that are not established or registered in Switzerland or in an EEA country and that operate in the energy sector in Russia. In limited circumstances, SECO may, upon consultation with other relevant federal departments, authorise derogations from this prohibition.

OTHER RESTRICTIONS

Travel ban

The persons listed in Annex 8 to the Russia Sanctions Ordinance may no longer enter or transit through Switzerland. Derogations may be granted in limited circumstances, such as for humanitarian reasons.

Satisfaction of claims based on prohibited transactions

Claims that rest on contracts or other transactions prohibited by the Russia Sanctions Ordinance, as well as earlier Ordinances of 27 August 2014 and 2 April 2014 on measures related to the situation in Ukraine, must not be satisfied if the person entitled to the claim is:
• A natural person, enterprise or other entity listed in Annexes 2 or 8 to 15;
• Any other natural Russian person or Russian enterprise or entity;
• Any natural person, enterprise or entity acting on behalf of persons referred to in (i) or (ii).

ENFORCEMENT AND PENALTIES

SECO oversees the enforcement of the above sanctions, except for the travel ban, the enforcement of which is overseen by the Swiss State Secretariat for Migration (SEM).

Failure to comply with the Russia Sanctions Ordinance is subject to penalties, such as imprisonment, detention and fine, pursuant to Articles 9 and 10 of the Federal Act on the Implementation of International Sanctions.

IMPACT ON BUSINESSES

The imposition of the above sanctions by Switzerland is unprecedented in terms of their scope and will have a major impact on businesses in Switzerland.

Considering the significant legal and reputational costs of non-compliance, businesses are advised to screen and identify all current and future transactions or operations involving the sanctioned jurisdiction and entities.

Whereas the alignment of the Swiss and the EU sanctions targeting Russia should reduce compliance costs, businesses should pay close attention to remaining differences between the two sanctions regimes. With further expansion of the EU sanctions, similar expansion of the Swiss sanctions can be expected in the coming weeks.
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